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CURRENT HISTORY

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SEPTEMBER 1992

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EDITOR'S NOTE:

"To get rich is glorious" is only one of the many expressions China's paramount leader, Deng Xiaoping, has used to indicate his support for market reforms in China. Deng's January visit to the areas of southern China that are the most advanced examples of the country's incipient capitalism was more than a symbolic reaffirmation of his commitment to recast communism; it was also an attempt to set in motion the program and the people who will guide China's political future, as *China Quarterly* editor David Shambaugh details.

The vitality of the special economic zones is captured in contributing editor Jan Prybyla's review of these bustling enclaves, which have become magnets for foreign investment, especially from Hong Kong and Taiwan. Market reforms have also been implemented in the countryside, and Tyrene White charts their progress in her article.

While, as Thomas Gottschang shows, the economy moves along without being handicapped by the 1989 Tiananmen killings, the same cannot be said of China's foreign policy efforts. Steven Levine dissects the arguments that surround the debate on what United States policy should be toward the last Communist monolith, and Samuel Kim offers an examination of what motivates Chinese foreign policy, especially in East Asia. Finally, Guocang Huan provides a look at how China is dealing with the Soviet Union's successor states on its borders.

This issue also includes Morris Rossabi's update on recent changes in Mongolia, the former Communist state sandwiched between China and the former Soviet Union.

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"A calm look at Sino-American relations suggests that neither panic nor complacency is in order. Although the tragedy of Tiananmen may have shattered the bipartisan consensus in the United States on China policy, it merely brought into sharper focus an ongoing reevaluation of the relationship begun several years earlier."

China and America: The Resilient Relationship

BY STEVEN I. LEVINE

In the countdown to the first American presidential election since the end of the cold war, United States relations with China are in much better shape than either Washington or Beijing is prepared to admit. Considering the extent of the American public's disenchantment with China since the June 1989 massacre of pro-democracy demonstrators, this is a remarkable achievement for the leaders of both countries, whatever one may think of them.

Displaying a degree of realism unprecedented in the long history of Sino-American relations, the two sides periodically engage in frank if not entirely friendly discussions on a broad range of difficult political, economic, and security issues. Even the problem that elicits the greatest public passion in the United States—human rights—is the subject of a disjointed dialogue. Meanwhile, economic relations flourish and cultural and educational exchanges continue to develop. These are all signs of resilience in the relationship, and they augur well not only for the two countries but also for the Asian-Pacific region and the entire world.

Some proclaim that the end of the cold war has diminished the importance of United States–China relations. It has not. Such a misconception derives from a narrow, 1970s-era American view of China as

primarily an anti-Soviet partner in the so-called strategic triangle. A more accurate view of relations is that the dispersal of the strategic illusions that gripped the United States and China during the cold war has presented the two countries—and everyone else—with a new set of far tougher challenges concerning international security, environmental protection, trade, development, and human and political rights. These global issues cannot be addressed without full Chinese participation. Therefore American policymakers must not succumb to the temptation, inspired by distaste for China's current leaders, to treat China as a pariah or, worse, as a marginal international actor. They must instead continue to engage their Chinese counterparts in both bilateral and multilateral forums, searching for solutions to problems that for the remainder of this century and beyond will test all countries' capacity for international cooperation.

FALLOUT FROM TIANANMEN

The notion that United States–China relations are resilient and of undiminished importance may strike some as dubious or even perverse. Since 1989 angry accusations and counteraccusations have ricocheted between Washington and Beijing. American media coverage of China accentuates the negative. Americans, who virtually ignored Chinese human rights abuses during the 1980s, have since the Tiananmen massacre rediscovered the oppressive features of communism in a country they had supposed was remaking itself in America's image. In addition to pressing a human rights agenda on Beijing, Americans decry Chinese repression in Tibet, complain of unfair trading practices, and bristle at China's overseas arms sales.

STEVEN I. LEVINE, senior research associate with Boulder Run Research in Hillsborough, North Carolina, has taught Chinese politics at American University, Columbia University, and Duke University. He is the author of *Anvil of Victory: The Communist Revolution in Manchuria* (New York: Columbia University Press, 1987) and coeditor with James Hsiung of *China's Bitter Victory: The War with Japan, 1937–1945* (Armonk, NY: M. E. Sharpe, 1992).

Beijing's oligarchs, in turn, charge the United States with brazen interference in Chinese internal affairs, warn their citizens about America's plans to subvert socialism, and accuse Washington of hypocrisy and hegemonism.

American disillusionment with China since 1989 has been expressed by two camps: the "debunkers" and the "denouncers." The "debunkers" argue that China is simply far less important to the United States than was heralded during the cold war decades. "China has always been of secondary significance to the United States," China specialist Nancy Bernkopf Tucker writes in the Winter 1991 *Foreign Affairs*. Expressing a common sentiment, she argues that, "Given a new world order in which threats are not as dire or as neatly defined . . . the United States does not need China as much and will be both less generous and less forgiving." Historian Bruce Cumings observes in the Spring 1991 *World Policy Journal* that the cold war created "threats that could never stand the glare of realpolitik analysis. Foremost among these was the obsession with China . . . which for a generation made the People's Republic seem far more important than it really was. . . ."

Another frequently heard contention is that in the post-cold war world the dominant paradigm of international relations has shifted from security affairs to economics. Therefore China, which is merely the largest of the developing countries, has ceased to be a major focus of American foreign policy; the real action is elsewhere. According to economist Lester Thurow, the United States is engaged in a critical competition with its giant economic rivals, Europe and Japan.¹ This is the new strategic triangle. From Thurow's perspective, China, with its large market and cheap labor, is more likely to be part of a Japanese-dominated Asian-Pacific economic community than an independent center of economic power.

The "denouncers" see China as an atavistic anomaly in a post-communist world in which the main trends are democratization and marketization. Like late nineteenth-century Western observers of the moribund Manchu monarchy, they perceive the status quo in China as untenable but consider the country's rulers incapable of fundamental change. Consequently, an external stimulus is required.

In a radical critique of Bush administration China policy, Roger Sullivan, a former high-ranking China hand at the State Department, boldly asserts in the

spring issue of *Foreign Policy* that "Congress and the administration should agree on a common strategic goal: the end of communist rule in China." To expedite "the inevitable collapse of communism in China" and "support the emergence of a responsive and responsible government," Sullivan proposes restricting technology and capital flows to China's state-owned sector, increasing propaganda broadcasts into the People's Republic, using economic ties and cultural exchanges to subvert the Communist system, and treating China's ruling elite as political pariahs. One wonders if Sullivan hoped to induce apoplexy among Beijing's old fogies or merely stir up his former colleagues in Foggy Bottom.

Does United States policy toward China really need to be dry-docked and thoroughly overhauled, as Sullivan insists, or is it basically seaworthy? Some of the best-known American China specialists warn that Congress, the media, and various special interests are jeopardizing relations by continually carping at China. Mindful of history, they worry about a possible return to the sterile confrontation that constituted United States-China relations before normalization in 1971.² Are such fears justified?

RETHINKING THE RELATIONSHIP

A calm look at Sino-American relations suggests that neither panic nor complacency is in order. Although the tragedy of Tiananmen may have shattered the bipartisan consensus in the United States on China policy, it merely brought into sharper focus an ongoing reevaluation of the relationship that had begun several years earlier. This rethinking was made up of three main elements: a strategic reassessment, a new emphasis on economic issues, and the emergence of a human rights agenda.

The strategic reassessment of China was an outgrowth of the Reagan administration's devaluation of China's importance in the world balance of power and its treatment of the People's Republic more as a regional than a global actor. At the same time, paramount leader Deng Xiaoping's economic reform policies led to a rapid expansion of Sino-American trade (from \$5.4 billion in 1981 to \$20 billion in 1990), and to American investment in China's booming economy that totaled \$4.4 billion by 1990. The relationship's center of gravity thus shifted from security to economics. In addition, the emergence of political protest movements in urban China, particularly among students, and Beijing's heavy-handed repression of Tibetan nationalist demonstrations evoked concern from growing numbers of American human rights advocates. A volatile conflict over fundamental values—something that had been largely ignored since 1971—was injected into the relationship.

¹Head to Head: *The Coming Economic Battle Among Japan, Europe, and America* (New York: William Morrow and Company, 1992).

²Harry Harding, *A Fragile Relationship: The United States and China Since 1972* (Washington, D.C.: Brookings Institution, 1992); see also Michel Oksenberg, "The China Problem," *Foreign Affairs*, vol. 70, no. 3 (Fall 1991), pp. 1-16.

As contacts between Chinese and Americans dramatically increased in the 1980s, disagreements also proliferated, especially given the profound differences between the political, economic, social, organizational, and cultural systems of the two nations. Nevertheless, as specific problems arose, they were generally addressed and resolved, albeit not without a good deal of complaining and posturing on both sides. Mutual understanding increased, although such understanding does not automatically translate into empathy or approbation. Even on the sensitive issue of cultural influence, which inspired occasional jeremiads by old-guard Communists against American culture's impact on Chinese youth, little was done to stem the toxic tide; conservative campaigns against so-called bourgeois liberalization fizzled. In every sphere, as the scope and intensity of contacts increased, a new and broader foundation for Sino-American relations was constructed even as the waning of the cold war further eroded the old strategic rationale.

The immediate impact of Tiananmen on Sino-American relations was much greater than its consequences have been in the longer term. With the exception of the continuing ban on military sales and military exchanges, little now remains of the sanctions imposed on China in the first blush of American outrage over the massacre. It has been rather the mood than the substance of the relationship that has changed. More than anything else, it was George Bush's characteristic failure to understand this change and to give adequate voice to widespread public feelings of disappointment and outrage that precipitated the breakdown in the bipartisan congressional consensus on China policy in the 1980s.

Most commentators lament this breakdown and urgently call for the building of a new consensus. But on balance, the battles between the administration and Congress over China policy in each of the last three years, even when motivated by partisan concerns, have been salutary in several respects. First, they have helped focus public attention on Sino-American relations and have raised the level of debate on the vital question of how to integrate concerns for human rights and democratization into the pursuit of complex foreign policy goals.

Second, these battles have facilitated the entry of new players with new concerns onto the heretofore circumscribed playing field of China policy.³ Human rights, torture, political repression, exports produced

by prison labor, conditions in Tibet, and other issues that were slighted or ignored earlier are now on the Sino-American relations agenda because of the efforts of human rights groups such as Asia Watch, Chinese student groups in America, and congressional supporters. Of course, like all repressive regimes, Beijing resists attempts to expose abuses. It cannot afford to ignore criticisms, however, and must consider them part of the cost of doing business with the world.

Third, the tug-of-war between the president and Congress has enhanced America's bargaining position with China by complicating Beijing's problems in dealing with Washington. This is not the first time this has happened. Congressional passage of the Taiwan Relations Act in April 1979, confirming an American interest in Taiwan's security, was a bitter pill for Beijing to swallow just after it had successfully negotiated the conditions for diplomatic recognition with the pro-China administration of President Jimmy Carter. Chinese officials would certainly prefer to deal solely with the Bush administration, which has been solicitous of Chinese sensibilities, but they have had to take account of the important role Congress has played in framing the terms of the China policy debate. Actions by Beijing, such as the release of small numbers of political prisoners on the eve of congressional debates on renewing most favored nation trade status for China, are an indication of Congress's impact.

A NEW POLICY MODEL

The effects of the China policy reassessment that the United States has undertaken are analogous to those of the American automobile industry's attempt at downsizing. Twenty years after Detroit reluctantly began this process, automobiles remain the core of America's transportation system, but the average American car is smaller, safer, and more efficient. United States-China relations are undergoing a similar process.

What does downsizing Sino-American relations actually mean? First, it involves stripping away the accumulated layers of hopes and fears on both sides and paring excessive calculations of what each side can do for or to the other. But it certainly does not imply that the United States should ignore China or undervalue the importance of good relations with it. It means viewing China in the present tense, not the future perfect. It means looking at China realistically—in economic terms as a developing country; and in geopolitical terms as a nuclear-armed regional power whose influence falls off sharply outside Asia. It also means facing China's failure to honor universal values of human and political rights and not dismissing these failures as inherent in the supposedly immutable characteristics of Chinese political culture.

The starting point for United States policy is an accurate understanding of major trends in the People's Republic. A sharp disjuncture between political conser-

³David Zweig regrets the entry of these new players, seeing them as enemies of Sino-American relations in "Sino-American Relations and Human Rights," in William L. Tow, editor, *Building Sino-American Relations: An Analysis for the 1990s* (New York: Paragon House, 1991), pp. 70–71. This is tantamount to accepting an official Chinese definition of what properly constitutes the agenda of United States-China relations.

vatism and economic reform has characterized China since Deng Xiaoping came to power in 1978. As the elderly revolutionaries of Deng's generation prepare for their final exit, they and their designated successors are striving to preserve the Communist party's political monopoly by satisfying popular aspirations for economic progress. They appear to believe—and they may be right—that communism in China can avoid the fate of communism in Europe by combining political rigidity with economic prosperity.

American policy must live with uncertainty since it is impossible to foretell the outcome of the political transition that China will shortly undergo. Those who confidently anticipate the “inevitable collapse of communism” or believe that China can easily cross the threshold into a Western-style parliamentary democracy are engaged in wishful thinking that stands in the way of dealing with the present regime. Yet dismissing the possibility of substantial political change, including the demise of communism in China, is false realism. Perhaps the likeliest political outcome in China for the near term is what Berkeley political scientist Robert Scalapino calls “authoritarian-pluralism”—an authoritarian political system coexisting uneasily with a growing civil society and a marketizing economy.

Twenty-five years ago Samuel Huntington differentiated between a Western and an Eastern model of Communist revolution—the former being a quick seizure of power like the Bolshevik Revolution, the latter a drawn-out process of building power like the Chinese Communist revolution.⁴ Now it appears there may be analogous Eastern and Western models of exiting from communism. The Western model is a spasm and collapse; the Eastern model a gradual retreat, and the piecemeal replacement of the Communist system with the elements of a new one without formally repudiating the old, at least until after the process is basically complete.

To improve on an old Maoist phrase, United States policy must walk not on two but on three legs. Washington should negotiate with current leaders on substantive issues, expand contacts with nonstate sectors of Chinese society, and make clear to everyone—communist powerholders, domestic dissidents, and China's exiled democratic opposition alike—the United States preference for a democratic alternative. Washington should not make the mistake of ignoring potential Chinese Vaclav Havel or Lech Walesas.

“BACK DOOR” INFLUENCES

The transformation of China's centralized, state-dominated command economy into a decentralized, market-oriented mixed economy continues apace, par-

ticularly in the coastal provinces. Early in 1992 Deng again lent his personal prestige to the acceleration of economic reform. This process, which is rapidly altering the profile of society and changing the cultural outlook of tens of millions of Chinese, holds immense consequences for China's political future. If the United States exerts little short-term leverage over Chinese politics at the highest levels, it can have a great impact on China's economic development through trade, investment, and technology transfer policies. America also enjoys considerable influence over Chinese popular culture and values. As Communist conservatives rightly fear, through these “back doors” America may in the long run be a catalyst for political change.

American popular culture, consumerist ideology, and democratic ideas are already a potent force for change, particularly in urban China and especially among younger Chinese. Judging from the iconography of contemporary urban China, Mickey Mouse would be the hands-down winner in a popularity contest with the young Communist hero Lei Feng. That the world's largest McDonald's and Kentucky Fried Chicken are in downtown Beijing is a cultural not a culinary statement; the Chinese, who possess the world's finest cuisine, are “eating” American culture. Of course, much of America's cultural influence is indirect. The images of the good life that enter China from Taiwan and Hong Kong originated in the United States, but they have been adapted to Chinese taste.

For Chinese students, America remains the destination of choice when going abroad to study. Beijing's efforts to constrict this flow have fizzled, and 1991 saw an 18.6 percent rise, to a record 39,600, in the number of Chinese students attending colleges and universities in the United States. Even though most Chinese intellectuals remain committed to the idea of serving China, they are increasingly cosmopolitan, and many are attracted to Western notions of intellectual autonomy and unfettered criticism and to democratic values. Most of the educational, cultural, and intellectual exchanges between the United States and China take place through nongovernmental channels on the American side; the entities involved serve American interests while requiring minimal official support. Washington should, however, offer Chinese students in the United States resident status until they can return to their homeland without fear of political reprisal for their activities while in America.

The United States, China's third most important trading partner after Hong Kong and Japan, is the major foreign market for the textiles, toys, footwear, and light industrial products of China's coastal provinces. It is here in the land of Chinese entrepreneurs, joint ventures, and foreign capital investment that the evolution from traditional communism is most advanced, and that the social and cultural basis for an alternative future China is being created.

⁴*Political Order in Changing Societies* (New Haven: Yale University Press, 1968), p. 266–268.

The success of China's export-driven development strategy has produced a large trade surplus with the United States (\$13 billion in 1991), and fueled American charges of unfair trade practices. Most of the surplus derives from America's propensity to consume rather than to produce for export. In 1991, acting under Section 301 of the Trade Act, United States Trade Representative Carla Hills threatened to impose prohibitively high tariffs on selected Chinese goods unless Beijing effectively protected American intellectual property, including computer software. At the eleventh hour China capitulated under intense pressure. Washington has also cracked down on Chinese exporters and American importers seeking to evade United States quotas on Chinese textile exports. Through such actions, the Bush administration has sought to stave off congressional demands, motivated by concerns about human rights as well as trade, to deprive China of most favored nation (that is, normal) trade status.

The Bush administration has persuasively argued that depriving China of most favored nation status might hamstring China's nonstate sector and hurt those in China whom Americans wish to see prosper. This is the rationale behind Bush's vetoing of congressional legislation linking the annual extension of most favored nation status with sweeping political and human rights demands that Beijing is sure to reject.

The human rights group Asia Watch has recently proposed a more nuanced approach to linking trade and human rights issues, suggesting that Washington threaten to impose high tariffs on carefully targeted Chinese exports produced in the state sector unless Beijing takes specific steps such as releasing political prisoners, respecting religious freedoms, and opening the Chinese gulag to international inspection. In the past three years large congressional majorities, engaging in symbolic politics, have voted to punish China for human rights abuses, secure in the knowledge that Bush's inevitable veto of their legislation would not be overridden. The Asia Watch proposal presents an opportunity for the administration and Congress to forge a new tactical consensus that could produce important results.

Public pressure in the United States has pushed human rights high on the agenda of United States-China relations, which is where it belongs. One can acknowledge the historical differences between Chinese and Western concepts and practices without negating the propriety of pressing China to respect internationally recognized human rights. Shining an international spotlight on human rights abuses proved effective in the Soviet Union and Eastern Europe. But even now that Congress and the informed public view human rights in China much more seriously, China still gets off easy. United States officials should make human rights an important subject of discussion at

meetings with their Chinese counterparts even though the latter are certain to be irritated. Washington should press Beijing to release political prisoners, end torture, and ease political controls. Even when such pressure does not yield immediate results, the message that the United States government is deeply concerned about these issues will not be lost on Chinese intellectuals and dissidents or the many in the Communist party who favor significant political liberalization and reform.

Tibet is an especially sensitive issue in Sino-American relations because it involves not only individual rights but the explosive question of national self-determination in an area Beijing sees as vital to its security. The United States considers Tibet an integral part of China, and should not alter this position. But Washington should encourage Beijing to soften its terms for the return to Tibet of the Dalai Lama, the country's exiled spiritual leader—the essential precondition for accommodating Tibetan nationalists' demands for recognition of their cultural identity, protection of their Buddhist-based culture, and genuine autonomy within the People's Republic. Bush's meeting with the Dalai Lama in April 1991 and the efforts of Tibet's supporters in Congress are proper signals of American interest in finding for Tibet a middle ground between independent nationhood and national extinction.

THE LARGER DESIGN

The end of the cold war confronts the United States with the need to reexamine its policies toward China both regionally and globally. In a world rendered increasingly interdependent by global communications and information systems, advanced military technology, financial networks, and universal values, no country can afford to hide behind national boundaries. In the early 1990s Chinese leaders reaffirmed their determination to play an active role in Asian and global affairs, viewing the end of bipolarity as a favorable opportunity to promote China's interests.

Against this background, United States policy toward China must be part of a larger foreign policy design encompassing security, economic, environmental, and political goals. In Asia as in Europe, it is time to move beyond traditional military alliances and toward peacekeeping arrangements involving all the regional powers. Although far from constituting a perfect precedent, international cooperation to end the protracted conflict in Cambodia offers some hope for settling regional disputes. Fortunately, nothing like the savage war resulting from the breakup of Yugoslavia seems to be in the offing in Asia.

A prime focus of United States security policy should be the pursuit of Sino-American understandings on arms control, arms transfer limitations, and nuclear nonproliferation. These have been among the

most contentious issues between Washington and Beijing in recent years because of Chinese missile sales to Middle Eastern states such as Syria and transfers of nuclear technology to Pakistan and other countries. Washington must recognize that Beijing has been a player in Middle Eastern politics for more than 30 years, and will remain one. Even though China recently established diplomatic relations with Israel, its position on the region's problems remains significantly different from that of the United States, as China's middle path during the Persian Gulf war indicated. China has bent but not capitulated to the United States on missile transfers, resorting to casuistic arguments about missile classifications to evade its obligations under the Missile Technology Control Regime. The United States would be in a better position to lecture the Chinese if it curtailed its own massive transfer of advanced military technology to Israel and Saudi Arabia, among others.

The absence of significant military threats in East Asia makes it possible for the region's countries to redirect a substantial portion of their resources and human talent from nonproductive military expenditures to the urgent tasks of environmentally sustainable development. The potential here for Sino-American economic, scientific, and technological cooperation is vast and virtually unexplored. Such a focus could move United States-China economic relations beyond the current preoccupation with most favored nation status, unfair trading practices, and negative trade balances into a much more positive mode.

United States leadership in fields such as biotechnology, medicine, agrosience, communications, new materials, and microelectronics can be usefully, and profitably, applied to Chinese problems. It would be naive to suppose that this will be arranged easily, since

negotiating the conditions of cooperation—for technology transfers, for example—will necessarily generate friction. Perhaps the cold war has taught us that problems born of cooperation are preferable to those of hostile confrontation. The capacity of both the United States and China to avoid such confrontations is being tested in the global debate over sustainable development highlighted by the June 1992 Earth Summit in Rio de Janeiro. Neither China, with its single-minded devotion to industrial development whatever the cost in environmental degradation, nor the United States, with its reluctance to control its own appetite or to share the costs of sustainable development elsewhere, has thus far evinced a sufficient sense of obligation to protect the global commons.

Whatever the prospects for Sino-American economic cooperation for sustainable development, it is virtually certain that political problems, as well as disputes over human rights and cultural values, will continue to buffet relations for the foreseeable future. The goal, suggested by some observers, of achieving an equilibrium in the relationship is chimerical. But the Bush administration, with the president as ultra-cautious skipper, has been too concerned that rocking the boat of Sino-American relations will cause it to capsize. The relationship between the United States and China developed over the past 20 years is not at risk. China is too cognizant of America's importance to cut itself off from what remains the world's preeminent power. If the United States, for its part, succeeds in putting China into proper perspective, it will be better able to sustain a productive, if sometimes tempestuous, relationship with China as the People's Republic proceeds on the course of economic and political change. ■

"Can a weak, oppressive state be expected to act as a responsible and peace-loving regional power? The once widely shared image of a China in disintegration and of a dragon rampant in Japan and Southeast Asia seems to be moving perilously close to reality."

China as a Regional Power

BY SAMUEL S. KIM

What can we say about China's status as a regional power in the post-cold war era? The question seems elementary yet defies an easy answer since, in international relations, the perception of power matters as much as the reality of it. In the Chinese case there persists the belief that China, by dint of its demographic weight or the greatness of its civilization, has a natural and inalienable right to great power status. The country's erratic shifts in foreign policy behavior over the years have been based on the conviction that China's strategic value can never be taken for granted by any external power, for it is both willing and able to play a decisive role in reshaping the structure of global high politics.

Yet while the cold war helped China project power well beyond the Asia-Pacific region, its end stripped away the veil of the China mystique and the semblance of Chinese influence in international life. The ending of the cold war has also shattered the illusion of a consensus on what constitutes a "superpower," made evident by the rise of Japan as a global power of a different kind (a one-dimensional global power), the sudden "third worldization" of the former Soviet Union, and America's heroic but ineffective claim of global leadership without bearing the costs and responsibilities.

Just as Japan is seen as a wallet in search of a global role, China has become an empty seat on the United Nations Security Council searching for a new national identity. Suddenly, Beijing is unsure of its place in a world no longer dominated by superpower rivalry and the country is in the grip of an unprecedented legitimacy-identity crisis. Not since the founding of the People's Republic in 1949 have the questions of internal

and external legitimacy—catalyzed by the Tiananmen carnage and the collapse of global communism—been as conflated as in the past three years.

CHINA'S ASIAN IDENTITY

The China threat—the image of a dragon rampant—looms large in the security calculus of every Asian state. Yet China's identity as a regional power is deeply problematic. Although most of the country's external relations pivot around the Asia-Pacific region, Beijing has yet to come up with any coherent definition of its place in Asian international relations.

The starting point for understanding China's awkward regional identity—and its inability to maintain any deep and enduring friendship with any Asian state, including North Korea—is to recognize that since the collapse of the traditional Sinocentric world order in the late nineteenth century, this proud and frustrated Asian giant has had enormous difficulty finding a comfortable place as an equal member state in the family of nation-states. During the cold war years the People's Republic succumbed to wild swings of identity, rotating through a series of roles: self-sacrificing junior partner in the Soviet-led socialist world; self-reliant hermit completely divorced from and fighting both superpowers; the revolutionary vanguard of an alternative United Nations; self-styled third world champion of a New International Economic Order; status quo-maintaining "partner" of NATO and favored recipient of largesse at the World Bank; and now, lone socialist global power in a postcommunist world.

None of these identities has much to do with Asian regional identity. The vast gap between being and becoming in the drive for status—and the contradiction between being a regional power and having global aspirations—have introduced a fundamental paradox in the prioritization of China's multiple identities: China as a socialist country; China as an anti-imperialist actor taking a radical system-transforming approach to world order; China as a poor developing country entitled to maximum preferential treatment in

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trade, investment, aid, and technology transfers; China as an irredentist power flexing its military muscle power to defend its extensive territorial claims; China as a deft practitioner of *zhoubian* (good-neighbor) diplomacy; and China as a nuclear power, breaking the superpower nuclear duopoly.

REGIONAL FOREIGN POLICY FACES

China's regional policy is Janus-faced, drawing on a variety of instrumentalities—force and diplomacy, positive and negative sanctions—in influencing its Asian neighbors. Caught between the twin pressures of globalism and unilateralism-cum-bilateralism, China has yet to define and proclaim a distinct regional role or a set of principles guiding its policy in Asia. China's regional policy seems no more than a blurred image of its changing definition of the world situation.

During much of the cold war, China's regional policy was a stepchild of its global superpower policy. All the turning points in Chinese foreign policy, though instantly reverberating throughout the entire region, concerned the United States and/or the Soviet Union. For example, in 1979 China justified its war against Vietnam in terms of global security imperatives, not as a matter of bilateral or even regional conflict. And until recently, even Beijing's Middle East policy could best be understood as a reaction to global events dominated by the superpowers rather than to indigenous conflicts in that region.

Since mid-1984, however, a significant readjustment has occurred in the form of a "world peace and development line" accompanied by a more positive view of an Asia-Pacific economic community. In mid-1985 the Central Military Commission directed the People's Liberation Army (PLA) to reorient its military strategy from the preparation for general nuclear war with the Soviet Union to the preparation for local and regional wars on China's periphery.

The most significant effect of these readjustments in Chinese thinking is the gradual process of decoupling local and regional conflicts from superpower rivalry. The ending of the cold war and the disintegration of the Soviet Union have accelerated this process. This does not mean that the center of gravity has shifted from hard globalism to soft regionalism. Instead, China's regional security policy has now become a function of its nationalism-unilateralism in bilateral clothing.

Despite the remarkable foreign policy achievements between 1978 and 1988, and the recovery from the Western sanctions imposed after Tiananmen, China cannot be characterized as a satisfied status quo power. Post-Mao China redefined the central challenge to its foreign policy in terms of making the outside world

safe for its born-again modernization drive. By May 1989 China had fully normalized relations with both superpowers, and was able to enjoy the best of both the first capitalist and second socialist worlds. And yet China's strategic behavior remained anchored in and driven by the holy trinity of state sovereignty, state status, and state security.

The challenge of transforming these multiple Chinas into a unified multinational state is another obstacle in the development of multilateral regionalism. In the wake of Tiananmen, the quest for national identity-cum-national unification may have suffered a lethal blow. At the same time China is an irredentist regional military power: China has more territorial disputes with its neighbors—including Japan—than any other major or middle-ranking power in the world. With its international reputation in collapse, its ideological appeal virtually nonexistent, its scientific and technological power obviously weak, and its strategic value marginalized in post-cold war world affairs, Beijing has taken on the role of becoming the dominant military power in East Asia. Thus, as part of its strategy to dominate the South China Sea, China has been building up its naval and air power. Official military spending this year is \$6.8 billion, less than half of actual military spending but still up 52 percent from 1989. China has also been bargain-hunting in Russia and Ukraine for advanced weapons systems. It has bought 24 Su-27 fighter aircraft from Russia that are scheduled to be delivered in late 1992, and it is reportedly interested in buying an aircraft carrier, the *Varyag*, that Ukraine is building.

The dogged determination to construct national identity in terms of sovereignty, status, and security stands in the way of responding positively to proposals for a regional collective security system. Soviet President Mikhail Gorbachev's initial overtures for a comprehensive security system for the entire Asia-Pacific region have been turned back to bilateral negotiations in order to exert pressure to meet China's three security demands, which China presents as the only way to renormalize relations. Beijing has also vetoed similar Australian, Canadian, and Japanese proposals for a multilateral Asia-Pacific security conference—a sort of Conference on Security and Cooperation in Asia. As Li Luye, director general of the China Centre for International Studies, put it: "Any attempt to copy Europe's model of collective security or to duplicate the pattern of integration of the two Germanies in Northeast Asia is not realistic and could by no means bring peace and stability to this area."¹

Chinese strategic analysts reject the notion that the seabed resources of disputed areas in the South China Sea should be jointly developed. China's resort to force in March 1988 in the Spratly (Nansha) Islands of the South China Sea served as a reminder of Beijing's growing naval power—and its willingness to use it if necessary—in a resource-rich area of more than 3.6

¹Li Luye, "The Current Situation in Northeast Asia: A Chinese View," *Journal of Northeast Asian Studies*, vol. 10, no. 1 (Spring 1991), pp. 78–81; the quotation is on p. 80.

million square kilometers. The disputed Spratly and Paracel (Xisha) island groups in the South China Sea represent East Asia's most dangerous and contentious multilateral maritime issue. Seven Asia-Pacific states—Brunei, China, Indonesia, Malaysia, the Philippines, Taiwan, and Vietnam—have competing claims to the islands and have sometimes fought over the possibly oil-rich Spratly Islands.

China, Taiwan, South Korea, and Japan are also locked in a dispute over the Diaoyu (Senkaku in Japanese) Islands farther north in the East China Sea. To possess the Diaoyu Islands, which comprise five islands some 166 kilometers northeast of Taiwan, is to have legal jurisdiction over about 21,645 square kilometers of continental shelf that is believed to hold up to 100 billion barrels of oil.

At the second international conference on "Joint Efforts for Development: Prevention of Conflicts," held in Bandung, Indonesia, in August 1991, Chinese officials strongly opposed both the establishment of a multilateral regime for handling territorial disputes and the intrusion of outside powers (that is, Japan, the United States, and the Soviet Union), maintaining that disputes should be resolved by the countries directly involved on a bilateral basis.

Against this backdrop, on February 25, 1992, the National People's Congress adopted "The Law of the People's Republic of China on Its Territorial Waters and Their Contiguous Areas," which, according to Article 1, will "enable the People's Republic of China to exercise its sovereignty over its territorial waters and its rights to exercise control over their adjacent areas, and to safeguard state security as well as its maritime rights and interests." Article 2 says China's territorial sovereignty includes "the mainland and its offshore islands, Taiwan and the various affiliated islands including Diaoyu Islands, Penghu Islands, Dongsha Islands, Xisha Islands, Nansha Islands, and other islands that belong to the PRC."² The law gives the Chinese military the right to repel by force any foreign incursion into the stipulated islands and areas.

The law's promulgation provoked strong protests from Japan and several Association of Southeast Asian Nations members who had competing territorial claims to the islands. Tellingly, China's unilateral legislation came just before Communist party Secretary General Jiang Zemin's state visit to Japan to mark the twentieth anniversary of the restoration of diplomatic relations. The Chinese legislative strike sparked demonstrations by ultranationalist Japanese groups, marring Jiang's talks with Prime Minister Kiichi Miyazawa.

For China there is little room for compromise precisely because of the fusing of sovereignty, security, status, and economic issues. In domestic politics no

Chinese leader can appear soft on the Japanese. Equally significant is the fact that the post-cold war strategic environment in this contested area presents a timely challenge and opportunity for China to strengthen its blue-water naval power.

The general silence and passivity on regional arms control and disarmament issues, in contrast to its activism in global arms control and disarmament (ACD) forums, bespeak Beijing's acute concern that the establishment of a multilateral arms control regime would cut too close to China's expansive regional security zone. Regional arms control processes would also pressure Beijing either to cooperate or defy them. Chinese behavior in arms control and disarmament talks follows a maxi-mini principle of maximizing narrowly construed security interests while minimizing normative costs by projecting China as part of the global solution.

This is a calculated, dual-track policy at work, giving moral and rhetorical support to global ACD programs—and free-riding off superpower arms control processes—while at the same time taking selective unilateral disarmament measures (for example, the demobilization of 1 million PLA troops). Regional arms control is not part of the policy. Since 1985 Beijing has been shifting from quantitative expansion to qualitative improvement with the aim of making its armed forces leaner and meaner. However, Chinese realpolitik is always at its Machiavellian best in the behind-the-scenes bilateral negotiations, minimizing the danger of a true believer being suddenly caught in a red-light district.

REASSESSING CHINESE POWER

The Chinese concept of power is broad, dynamic, and shifting, fed by historical traditions and experiences. Reacting to the growth of the "decline" school in American studies of international relations, the new game nations now play is said to be a multidimensional notion of "comprehensive national strength" based on population, resources, economic power, science and technology, military affairs, culture, education, and diplomacy.

Of this list, science and technology have become the master key for China in its intense drive toward the promised land of modernity. If China is to become a global power, it must beef up its national power, especially in high-technology industries. There is no escape from this high-tech rat race if China is ever to regain its proper place—"global citizenship" (*qiuji*)—in the emerging world order.

The government claims that science and technology do not have a class character; indeed, they are rationalized as a kind of global collective goods. Such a realpolitik—nationalistic technocracy dressed in hard globalism—is what is meant by "global citizenship." It also bespeaks the persistence of the nineteenth-century

²Xinhua, February 25, 1992, in Foreign Broadcast Information Service, *Daily Report: China* (February 28, 1992), p. 2.

"ti-yong" dilemma—how to strengthen Chinese essence by using foreign technology.

Whether or not the party-state controls the guns, such technocratic realism gives the military a comparative advantage in shaping national policy. Without sufficient military power, according to China's strategic analysts, it will be impossible to preserve and enhance the country's status as a world power or play a decisive role in global politics. In the wake of America's high-tech military victory in the 1991 Persian Gulf war, Beijing decided to reorder its vaunted four modernizations, making science and technology a top priority before agriculture, industry, and defense. At the same time the PLA has been called on to take up a new mission at variance with the Maoist doctrine of protracted struggle: limited war to achieve a quick, decisive high-tech military victory in only a few days.

IS CHINA A GLOBAL POWER?

The sudden diminution of China's global status and influence threatens to take away the party-state's last remaining source of and claim to legitimacy: restoring China's great-power status in the post-cold war and postcommunist world.

Of course, there is no "scientific" way of assessing Chinese national power. In a rapidly changing international environment the very notion of "regional power" or "global power" is subject to continuing redefinition and reassessment. Elsewhere I have constructed a typology of Chinese power, comparing it against Japan, Germany, the United States, and the former Soviet Union and giving China's global ranking in 15 specific categories. Since the United States, the Soviet Union/Russia, Japan, Germany, and China are generally regarded as the world's great powers, China would have to be included in the top five global rankings to be regarded as a great power.³

Not surprisingly, China easily ranks among the top five in population, strategic nuclear warheads, and global arms trade. The Chinese would be first to admit that the burgeoning population (now at 1.2 billion) is a liability rather than an asset in the enhancement of comprehensive national strength. Since 1978, China's population has grown by nearly 200 million people, and in the 1990s at least another 150 million to 180 million will be added. The implications of these enormous numbers wanting to become rich, and the accompanying social, political, and economic pressures, are staggering, especially when placed in the context of industrial modernization and shrinking ecological capacity. China has already become an environmental giant of sorts, contributing to global warming faster than any other major country (China

now releases 9.3 percent of global greenhouse-gas emissions, following the United States and the former Soviet Union but ahead of Japan, India, and Brazil).

When Chinese military power is measured quantitatively in terms of the number of strategic nuclear warheads, global arms trade (including global nuclear technology proliferation), and military manpower, China comes out as one of the world's five-largest military powers. However, mere numbers say little about the quality of the PLA or its performance in armed conflict.

China's economic power is mixed. In aggregate gross national product China ranks ninth in the world, but it is projected to become the world's fifth-largest economy by the year 2000. Sheer demographic size left China's per capita GNP at only \$350 in 1989 (104th in the world), and it is projected to reach about \$800-\$1,000 by 2000. Post-Mao China is a global economic power only in the sense of being a major source of cheap labor and a tempting cost-effective site for foreign toxic wastes and heavily polluting industries; indeed these are the defining features of China's place in the global economy. Although exports as a percentage of GNP increased from 4 percent to about 20 percent in the long Deng decade, China still has a long way to go to achieve the status of an important trading power.

Another category needs to be added in determining a country's global power position. East Asia emerged in the 1980s as the most dynamic region in the global economy with seemingly ever-expanding waves of regional economic integration. As the most important investor, trader, aid donor, and development model, Japan easily dominates the East Asian political economy. Japan's economic miracle demonstrates that a country's competitiveness in the global marketplace depends less and less on natural resource power and more and more on the brainpower needed for microelectronics, biotechnology, civilian aviation, telecommunications, robotics, computer hardware and software, and so forth.

China is extremely weak in this area. For example, China is not even included in the top fifteen in the category of issuing important patents. Revealingly, Chinese Foreign Economic Relations and Trade Minister Li Lanqing is reported to have proposed to Japanese Minister of International Trade and Industry Eiichi Nakao on March 22, 1991, a Sino-Japanese collaboration for the establishment of an "East Asian Economic-Cooperation Sphere." The prospect of China emerging as the world's second- or third-largest economy by 2010, which was prognosticated in 1988 by the Commission on Integrated Long-Term Strategy, is rather dubious.

Where does China rank among states when its international reputation, cultural and ideological appeal, development model, and diplomatic leadership

³For a more detailed discussion, see Samuel S. Kim, *China in and out of the Changing World Order* (Center of International Studies, Princeton University, 1991), pp. 69-74.

in the shaping of international decisions, norms, and treaties in international organizations are considered? Advertised or not, Maoist China commanded such appeal as an antihegemonic third world champion of the establishment of the New International Economic Order, which led many *dependencia* theorists to embrace Beijing as a model of self-reliant development. Mao's China stood out as the only third world country that gave but never received any bilateral and multilateral aid. This alone vested Beijing with a measure of moral authority.

In 1978, all this changed when post-Mao China suddenly switched its national identity from a model of self-reliant socialist development to a poor global power actively seeking most-favored-nation trade treatment from the capitalist world. That same year also saw China's abrupt termination of its aid programs to Albania and Vietnam. The 1979 invasion of Vietnam was another reminder of the extent to which the post-Mao leadership was willing to bend the pledge never to act like a hegemonic power. These geopolitical and geoeconomic reversals, coupled with the harsh repression of the first wave of post-Mao democracy movements, began the decaying process of China's moral regime in global politics.

More than any event in modern Chinese history, the Tiananmen massacre, in a single stroke, dealt a severe blow to whatever credibility that was still retained by the make-believe moral regime. Almost overnight the People's Republic acquired a new national identity as an antipeople gerontocracy propped up by sheer repression. The worst was avoided because of a variety of geopolitical and geoeconomic reasons. Taking advantage of its permanent seat on the Security Council, Beijing once again demonstrated its negative power—and the Nixon/Kissinger/Haig/Bush line—that an engaged China is an irreducible prerequisite to any approach to world order. Beijing's bottom line seems clear enough: Ask not what China can do for a new world order; ask instead what every country, especially the lone superpower, can do to make China stable and strong in a sovereignty-centered international order.

The power China had as a "model" for the developing world has vanished in the post-Mao era. Not a single state in Asia or elsewhere looks up to Beijing as a development model. Nobody, not even the Chinese, knows what is meant by socialism with Chinese characteristics. That India and so many developing countries are now looking to Taiwan, not Russia, let alone China, as a model—or that this breakaway island country has recently surpassed Japan as the world's largest holder of foreign exchange reserves (\$83 billion) must surely come as another blow to Beijing's national identity crisis. The born-again third world identity in the post-Tiananmen period seems hardly relevant to reestablishing a fit between tradition and modernity or for formulating the best strategies to

make China the rich and powerful country that virtually all Chinese think is their due.

PERFORATED SOVEREIGNTY

Revolutionary power may grow from the barrels of guns, but no state—certainly not a huge multinational state—can be held together for long without a legitimizing value system, as was dramatically shown by the collapse of what was widely and wrongly perceived to be a strong state in the former Soviet Union. In at least one respect China is beyond compare. No country in our times has talked as much, launched as many ideological campaigns, succumbed to so many ideological mood swings, and accomplished so little in getting its ideological act together. Herein lies the ultimate tragedy of the Chinese Revolution.

To a startling degree, the post-Tiananmen government is paralyzed by a megacrisis—multiple and interlocking crises of authority, identity, motivation, and ideology. These have converged at a time when the center is fractured by another round of a deadly intraelite power struggle and is also facing challenges from an assertive civil society, peripheral but booming southern coastal provinces, and ethnonationalistic movements of non-Han minority peoples in the strategic borderlands of Tibet, Xinjiang, and Mongolia.

The extent to which China's legitimizing ideology has progressively decayed is captured in the common saying: "In the 1950s people helped people; in the 1960s people hurt people; in the 1970s people used people; in the 1980s and 1990s people eat people." For the majority of politically engaged intellectuals it is the Han Chinese nation, not the party-state, that has become the most significant referent for their individual and collective loyalty and identification, as found in the slogan, "We love our country, but we hate our government."

Viewed against the longstanding state-society and state-nation concordance and the Chinese intellectual tradition of dedication to serving the state, this represents a radical change in the conceptual evolution of China's intellectual community. The defining and differentiating feature of a weak state such as China today is the high level of internal threats to the government's security. External events are seen primarily in terms of how they affect the state's internal stability. The idea of national security, which refers to the defense of core national values against external threats, becomes subverted to the extent that the Chinese government is itself insecure.

China no longer has a legitimizing and unifying ideology of sufficient strength to do away with the large-scale repressive use of force in domestic life. As noted earlier, the post-Tiananmen government increased its defense budget by 52 percent in the last three years while China enjoys the best external environment in history and when outside security

threats seem to have all but vanished. A renewed emphasis on political indoctrination of PLA members is reported to have taken up 60 to 70 percent of training time. More tellingly, the People's Armed Police has experienced unprecedented growth in personnel and equipment as a way of coping with growing internal security threats.

The great irony is that the center no longer fully controls the peripheries; Chinese state sovereignty is highly perforated. Well over half of China's economy has already escaped the control of central planners in Beijing. The center has lost control of tax collection, and even profit remittances from many of the state enterprises it owns. Virtually all the gains China has enjoyed since the early 1980s have come from nonstate industries with their share of industrial output zooming from less than 15 percent to a little over half today.

At the same time, the contemporary global information revolution has broken down the exclusive control over information that the center once enjoyed. This revolution has facilitated the rapid mobilization of

people's demands, frustrations, and intolerance—indeed, it is the second “revolution of people power.” Although its actual speed and magnitude in post-Tiananmen China are difficult to assess, the information revolution nonetheless undergirds the critical social forces and movements for change that are weighed down by the full repressive force of the weak and insecure state.

State sovereignty thus no longer provides the center with security or control, since it is constantly perforated by the forces of supranational globalization and local and regional fragmentation. Against such trends and pressures Chinese state sovereignty is a paper tiger. China is a weak, if not yet disintegrating, state. How can the wobbly edifice of the Chinese state survive the multiple threats from within? Can a weak, oppressive state be expected to act as a responsible and peace-loving regional power? The once widely shared image of a China in disintegration and of a dragon rampant in Japan and Southeast Asia seems to be moving perilously close to reality. ■

Relations between China and the newly independent states of the former Soviet Union flourish economically. Yet, as Guocang Huan points out, political instability in Central Asia, ethnic tensions spilling into China's Islamic province of Xinjiang, and the possibility of a regional arms race are only some of the problems that could sour relations.

The New Relationship with the Former Soviet Union

BY GUOCANG HUAN

The collapse of the Soviet empire has fundamentally altered the relationship between China and the former Soviet republics. The most dramatic change has been between Beijing and Moscow; neither now views the other as a security threat, a fact underscored by Moscow's decision to sell China advanced weapons systems. Russia and Kazakhstan have announced that they will respect agreements signed by China and the former Soviet Union regarding the reduction of troops deployed along the Chinese border and the resolution of territorial disputes, a pledge China has reciprocated.

Trade between China and many former Soviet republics has expanded rapidly, with growing Chinese exports of consumer goods and food and increased imports of raw materials and mining products from the neighboring new countries. Direct flights to Kazakhstan's capital of Alma-Ata and railway service across the Xinjiang-Kazakhstan and Xinjiang-Turkistan border have been established.¹

Nevertheless, there are major areas in which China and the member countries of the Commonwealth of Independent States (CIS) disagree. The current Chinese leadership continues to be critical of its counterpart in Moscow, due partially to the sharp ideological conflict between them. Beijing has also become increasingly worried about the impact the newly independent Central Asian states will have on the stability of China's

Xinjiang province, where ethnic tensions are high. And China and the CIS states are competing for the resources of the international financial community.

COLLAPSING COMMUNISM

Relations between China and the former Soviet republics have five key dimensions: 1) internal developments in each of these countries, 2) security relations among them, 3) bilateral official ties, 4) bilateral economic ties, and 5) the Taiwan issue.

China's pro-democracy movement in 1989 apparently had a strong impact on political developments in the Soviet Union. Although the official Soviet press did not provide much coverage of the protests, the people, especially those in Moscow, St. Petersburg, and other major cities, were well informed by the international media and had great sympathy for the student demonstrators. The events in China encouraged democrats in the Soviet Union to organize and press their government for political change. When the Chinese government violently suppressed the pro-democracy demonstrators in Tiananmen Square, democrats in the Soviet Union held protests in front of the Chinese embassy and consulates. The official Soviet reaction was to avoid direct comment on China's internal affairs.

In the months following Tiananmen, Communist regimes fell throughout Eastern Europe. In the Soviet Union, reforms under President Mikhail Gorbachev ended the Soviet Communist party's monopoly on power and unleashed the chain of events that culminated in the dissolution of the Soviet Union and the rise of 15 independent states.

These events have created a political and ideological challenge for Beijing. Chinese democrats have been given hope by the dramatic transformation of Eastern Europe and the Soviet Union and, despite government suppression, active dissent continues through strikes,

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¹This discussion is based on interviews conducted in Moscow, St. Petersburg, Alma-Ata, and Kiev in May and June 1992.

demonstrations, and the organization of underground groups.

For Chinese conservatives, the collapse of communism in Europe was a shock. Since the fall of 1989, the Chinese government has issued a number of documents for internal circulation criticizing Gorbachev and Russian President Boris Yeltsin as well as the post-Communist leadership in eastern Europe. The official line was that the government would "respect" the choices made by the people in these countries. To prevent similar changes from taking place in China—especially during and after the upcoming succession to aged paramount leader Deng Xiaoping—the government has restructured the military and security forces and imposed new restrictions on the press and on cultural and educational affairs.

The disintegration of the Soviet empire has also strongly encouraged minority ethnic groups in the provinces of Tibet, Xinjiang, and Inner Mongolia. Demands for independence or autonomy have increased, while tensions continue to grow between the Chinese government and the ethnic groups living in these regions. In Xinjiang, a dissident Islamic movement that has received financial support from Islamic countries has been smuggling weapons (most of them Chinese-made and originally given to Afghan guerrillas) from Afghanistan and Pakistan into the province. These developments have alarmed the Chinese authorities, who have sent more troops and security forces to the three regions.

EXTERNAL SECURITY, INTERNAL TURMOIL

The collapse of the Soviet empire has significantly improved China's external security environment. Beginning in the mid-1960s, Beijing and Moscow split, and the latter began a military buildup along the border with China. With this the Soviet Union became China's principal security threat. Moscow allied itself with Hanoi and New Delhi, which have territorial disputes with Beijing, thus strategically encircling China while at the same time strongly supporting efforts to destabilize China's periphery.

Moscow, preoccupied by its internal political and economic crises, no longer has the will to expand its influence abroad through the exercise of military power; the same holds for Kazakhstan and Turkistan, which also border China. The Russian republic has reduced the size of its armed forces and destroyed some of its nuclear weapons, and Kazakhstan has committed itself to reducing the number of nuclear weapons on its soil. As a result, the military balance

between China and the former Soviet republics (in this case, mainly Russia and Kazakhstan) has tipped in China's favor. The Central Military Commission of the Chinese Communist party has concluded in its annual assessments that the former Soviet republics do not present a direct challenge to China's national security.²

Beijing has approached Moscow about purchasing advanced weapons systems, including Su-27 jet fighters and aircraft carriers. Since last summer, the Chinese government has successfully recruited a few hundred senior scientists from the former Soviet Union to work on new weapons technology, offering them a monthly salary of 1,200 yuan, plus free housing and a paid annual home leave.

Russia has cut off economic and military aid to India and Vietnam, and has encouraged both countries to reduce tensions and improve ties with China, which they have done. Vietnam, for example, has softened its position on Cambodia, long a major source of friction between Hanoi and Beijing. On the Korean peninsula, Moscow no longer competes with Beijing for greater influence in Pyongyang. Instead, it has moved quickly to expand ties with Seoul, forcing North Korea to become more dependent on China politically, economically, and strategically.

Three major security issues remain between China and neighboring Russia, Kazakhstan, and Turkistan. First, the danger of conventional and nuclear weapons proliferation in Central and South Asia has substantially increased. To earn hard currency, the Russian republic has been selling advanced weapons to India and a number of Islamic countries in the region (and has also been negotiating the sale of missile technology to New Delhi). There have been reports that Kazakhstan has sold nuclear warheads to Iran, and Taiwan has shown interest in purchasing Russian weapons. Although Beijing too is buying weapons from Moscow, these developments will stimulate an arms race between China and its neighbors.

Second, Russia still enjoys great superiority over China in conventional military power. Moscow has pulled back most of its troops from eastern Europe and the former Soviet republics, but because of its current economic difficulties it has not been able to demobilize them. At least for the near future, many of these troops will continue to be deployed in the eastern part of Russia. The Russian government has not come up with any concrete plans for dismantling the numerous military facilities in the Far East built during the cold war years, and it has made little progress in converting its huge defense industry to civilian production.

The situation is different when looking at strategic forces. Under strong pressure from the West, especially the United States, Moscow has agreed to significantly reduce its strategic nuclear weapons. The reduction process has narrowed the gap between China and

²Interviews with Chinese military officers in New York and Washington, D. C., August 1991 and April 1992.

Russia, but it is unlikely to bring Russia's strategic forces down to the level of China's. Moreover, the progress made by the United States and Moscow in reducing nuclear weapons may generate new international pressure on China to do the same.

Third, the disintegration of the Soviet Union has dramatically changed the political map of Central Asia. Although Kazakhstan remains relatively stable and its government seems capable of coping with the emergence of an Islamic fundamentalist movement, other Central Asian states that border China, such as Turkistan, may soon become unstable. Unlike Kazakhstan, the other Central Asian republics are small and outside influence is much greater there. Pressure from Islamic fundamentalist movements in the region is mounting, with the Islamic rebel government of postwar Afghanistan catalyzing fundamentalism's spread. Iran, Turkey, and Saudi Arabia are also competing for influence in Central Asia, providing financial support and weapons to their local allies.

These developments are likely to continue to jeopardize stability in the region, including in Xinjiang, where ethnic tensions run high and the Islamic population's demands for sovereignty or self-rule grow louder. The fundamental security issue Beijing faces in Xinjiang, however, is not the danger of an independent province but the possibility of widespread bloodshed, especially during or soon after the succession to Deng. The involvement of foreign Islamic forces from Central Asia and the Middle East in Xinjiang's ethnic conflicts would only increase tensions and make the resolution of the problem a major international issue.

FOREIGN POLICY PRAGMATISM

Following the failed August 1991 coup in the Soviet Union, Beijing adopted a realistic approach toward the former republics that soon declared independence, recognizing them all and establishing diplomatic ties. Beijing decided to extend recognition to the new states because it found itself in tough diplomatic competition with Taipei and because it realized the disintegration of the Soviet Union was inevitable. Since then there have been no top-level exchanges between Beijing and Moscow, yet the two countries' foreign ministers and military professionals have held consultations. Russian President Yeltsin is scheduled to make his first trip to China soon after the Chinese Communist party's fourteenth congress this fall, and Beijing has already received the presidents of Kazakhstan and Ukraine.

Politically and ideologically, many leaders in the former Soviet republics are alienated from Beijing. Still, none of the new governments has downgraded relations with China. Instead, all seem to have taken a "dual approach" toward China: maintaining existing ties while doing whatever they believe beneficial to themselves even if it angers the Chinese.

BOOMING TRADE

From the mid-1980s, trade between China and the Soviet Union expanded rapidly, growing from less than \$1.2 billion in 1985 to more than \$6 billion in 1991, and trade with the Soviet successor states continues to rise. The economic reform program China instituted in 1978 has led to substantial surpluses of grain, food, and consumer goods, which are in high demand in almost every former Soviet republic. For the Chinese, industrial equipment made in the Soviet Union is cheaper and easier to operate than equipment from the West. In addition, during the 1950s China imported from the Soviet Union a great deal of equipment and technology, which now needs to be upgraded or replaced. In return, many Soviet republics—especially Russia, Kazakhstan, and Ukraine—can provide China with raw materials and mining products. In sum, trade between China and countries of the Commonwealth is facilitated by their complementary economies.

Over the past two years the Chinese government has pursued its "open door" policy by further decentralizing economic decision making and encouraging enterprises and even individuals to do business abroad without government intervention. Because of the success China has had in expanding its exports, a substantial trade surplus has been generated, which enables local governments, enterprises, and individuals to invest abroad directly. At the same time, the central planning system in the former Soviet Union has broken down. As a result, many enterprises and individuals in the CIS have actively approached the international market, hoping to earn hard currency and attract foreign investment. Most CIS member countries have already passed laws and regulations governing foreign direct investment that have attracted Chinese investment and trade; to date, a few hundred Chinese enterprises, government institutions, and individuals have set up joint venture projects.

There are, however, limitations to the further expansion of economic ties between China and the former Soviet Union. Almost all the former republics lack the hard currency to pay for Chinese goods. Moreover, their high inflation rates, which for the first half of the year reached over 500 percent, and their highly unstable economies and politics have discouraged the Chinese from rapidly expanding business operations. Another limiting factor is that economic reform has just begun in the new states. Laws and regulations passed to attract foreign direct investment are not sufficient to counter the high degree of investment risk in these countries. A final factor is the competition China will face from the newly industrializing countries of Asia, which are actively pushing consumer goods exports to the former Soviet republics.

THE TAIWAN ISSUE

The Taiwan issue has become increasingly important in China's relations with the new states. Since their independence, most former republics have taken a realistic approach to China-Taiwan relations. In most cases, Taipei seized the initiative and recognized the republics' independence before Beijing did. It has also aggressively offered economic aid packages for former republics that would recognize Taiwan. Most republics, however, established diplomatic relations with Beijing while allowing Taipei to open trade or cultural offices (which perform consulate functions) in their capitals. (Only Latvia tried to establish official ties with both Beijing and Taipei, which led Beijing to suspend diplomatic relations.) Taiwan's trade with the former republics also climbed from \$700 million in 1987 to \$1.8 billion in 1991. Taipei has, in addition, set up an economic assistance fund for them.

The central policy question the former republics face is how to balance their Taiwan policy with their China policy. Although most of them do not intend to broaden and deepen relations with Taipei at the cost of downgrading ties with Beijing, the latter has only limited leverage when it comes to their developing economic and even political ties with Taipei. Under the principle of "one China," however, they have found more room than before for maneuvering in this area, since China's bargaining position has been weakened by its internal political difficulties as well as by its troubled relations with the West.

So far Beijing has been competing with Taiwan by expanding its business relations with the former Soviet republics and providing loans to them. It has also placed a strong emphasis on its working relations with a few large states, such as Russia, Ukraine, and Kazakhstan, hoping they can influence the attitudes of the other former republics on China-Taiwan relations. Unlike the Latvian case, China will probably not take a tough stance against the other former republics if they establish economic, cultural, and semiofficial ties with Taipei.

A STABLE FUTURE

Unless there is a fundamental crisis in China's domestic development or in its foreign relations, ties between the former Soviet republics and China will remain relatively stable during the next few years. Neither side has a strong incentive to significantly alter current relations. Instead, most of the new states, especially Russia and Kazakhstan, want to expand their ties with China. Yet the China factor is not the most important one facing the former republics: domestic political and economic difficulties preoccupy their governments and will continue to do so. Nevertheless, the countries will continue to readjust their China policy partially and gradually with changes in the international environment, as well as new occurrences in China and Taiwan. ■

"That the utterances of an 88-year-old man mean so much to a nation of 1.2 billion people, and that a retired leader can still dictate policy and the makeup of the political leadership says much about the problems afflicting the Chinese polity."

Regaining Political Momentum: Deng Strikes Back

BY DAVID SHAMBAUGH

China is once again undergoing a major political transition. While the 1989 Tiananmen massacre slowly fades from the memories of ordinary citizens, the Chinese leadership is locked in a heated struggle to determine which set of leaders and policies will emerge from this autumn's fourteenth party congress. The struggle is taking place against the backdrop of the more enduring issues of the succession to paramount leader Deng Xiaoping, who turned 88 in August, and the fate of Chinese communism in a world of discredited and declining socialist states.

Chinese politics since Tiananmen had been marked by considerable consensus among the top leadership—a consensus emboldened by their collective responsibility for June 4. But Deng introduced new uncertainty among the elite with his heralded tour this January of the dynamic special economic zones (SEZs) in Guangdong province. Deng's swing through this southern province changed both the style and substance of Chinese politics during the first half of the year as the paramount leader sought to set the agenda for the party congress and China's future.

The January trip was also an act of frustration. Not content with the direction in which conservatives in Beijing were leading the country, Deng decided—as Mao often did in such cases—to take his case directly to the public by visiting an economic model. Deng, like Mao, apparently concluded that if he could not work through normal bureaucratic channels, he would have to circumvent them. Deng's octogenarian rival, Chen Yun, and his Politburo Standing Committee protégés Yao Yilin, Song Ping, and Li Peng, had teamed up with a series of hard-line ideologues and military conserva-

tives to control economic, cultural, social, media, and military policy since 1989, severely clamping down in all five areas.

At first, Deng agreed that this was a necessary reorientation after the spring of 1989, but in late 1990 he evidently concluded the hard-liners had gone too far and it was time for a change. During the 1991 Chinese New Year, for example, Deng ordered several articles published in the Shanghai newspaper *Liberation Daily* that called for bold reform, but he was unable to get the national press to renew the reform campaign. Deng was experiencing the limits of retirement: his prestige remained high but he had lost control of the propaganda apparatus and the Politburo itself.

Throughout 1991 Deng remained out of public view, contemplating the political spectrum in China. The failed August coup in Moscow and the subsequent collapse of the Soviet Communist party (and with it the Soviet Union) apparently convinced him to act.

DENG'S RESURGENCE

On January 19, 1992, Deng arrived in Shenzhen, China's most dynamic and prosperous SEZ. He was accompanied by his daughter Deng Nan, who acts as an extra hearing aid for the deaf Deng and interprets his utterances into coherent and elegant statements that become the political line of the day. Taking stock of Shenzhen's high-rise office buildings, hotels, electronic and textile export factories, and the Huanggang port facilities, Deng noted (not incorrectly) that south China will be soon become Asia's "fifth dragon."

Deng went from Shenzhen to the Zhuhai SEZ, also in Guangdong. In Zhuhai he visited joint-venture factories, high-technology production enterprises, and toured the Pearl River estuary. While in Zhuhai, Deng convened a secret meeting of leading active-duty and retired military officials. President and military strongman Yang Shangkun accompanied Deng during his visit to Shenzhen and Zhuhai, and Deng felt it neces-

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sary to convene the senior brass as part of his strategy to outflank his opponents in Beijing.

On his trip Deng not only toured economic sites but also made some sharp comments about rooting out "leftists" and how "leftism" had become the greatest challenge to China. (Leftism was Deng's code word for his obstructionist opponents in Beijing.) "Those who oppose reform should step down!" Deng demanded.

It took some time for Deng's visit to be reported in China. The Hong Kong press quickly covered the trip, but the mainland media remained silent until late March, when Deng's activities were reported in the local Guangdong print and television media. One month later, the April 28 *People's Daily* finally reported the story. Why were the paramount leader's inspection tour and pronouncements not reported to the Chinese public sooner? The conspiracy of media silence reflected the extent to which ultraconservative leaders in Beijing controlled the propaganda apparatus.

While it may not have allowed the trip to be reported, this does not mean that Deng's opponents in the leadership were not busy discussing its implications. A special Politburo meeting was convened in the capital in mid-March to consider Deng's trip. The Politburo agreed with Deng that economic development remained China's top priority (an implicit rebuke of the conservatives' assertion that maintaining ideological purity and combating subversive elements were most important) and decided that, "While keeping vigilance against rightist deviation, our main attention should be . . . guarding against 'leftist' deviation."

The special Politburo meeting also approved Central Document No. 2—a rewritten version of Deng's statements during his trip to Guangdong—for study by all party and military cadres. This document represents Deng's assessment of China's current condition and future. It offers a vigorous defense of economic reform during the 1980s and calls for further borrowing and learning from "capitalism." In the document Deng did not, however, offer any hope of political reform and liberalization, and had stern words about the need for continued "dictatorship." Central Document No. 2 embodies Deng's basic view that expanded economic growth and the accumulation of wealth will save the Communist party.

THE LEADERSHIP STRUGGLE INTENSIFIES

Following Deng's southern swing and the March Politburo meeting, various politicians and military officials at the central and regional levels began to endorse Deng's remarks and the accelerated reform program he advocated. Endorsing a shift in the political line is a ritualistic affair in Chinese politics: the political culture demands that even those who dissent from policies must at least feign compliance with them, although they work behind the scenes to sabotage them.

Those elements in the leadership—led by elder economist Chen Yun and his protégés—who opposed the shift in line were busy during the spring trying to manipulate public opinion and generally undermine Deng's counterattack against "leftism." The failure to report Deng's trip in a timely fashion in the national media was the first indication of entrenched opposition. The second sign came at the annual meeting of the National People's Congress (NPC) in March when Prime Minister Li Peng's annual report failed to mention the threat from the left or the need to "emancipate productive forces" (another of Deng's principal themes) and instead concentrated on "opposing bourgeois liberalization," "attacking hostile forces," "resisting imperialist peaceful evolution," and so on. NPC delegates refused to accept the prime minister's report and instead forced him through five redrafting sessions before finally adopting a different document more in line with Deng's views. The endorsement of Deng's perspectives was welcome news to the millions in the provinces who had chafed under the political repression and economic austerity program of the previous three years.

Following the Congress the political tide appeared to turn in Deng's favor. One sign was the conclusion of the investigation by the Central Committee Special Investigation Group into former party General Secretary Zhao Ziyang's behavior during the spring of 1989. The investigation cleared Zhao of any criminal wrongdoing, blaming him instead for a series of "mistakes" in judgment. Simultaneously, however, Zhao's deputy, Bao Tong, who had been imprisoned without charge for nearly three years, was tried and convicted for "counterrevolutionary incitement" and leaking state secrets; Bao drew a seven-year prison sentence for these "crimes." For his part, Zhao has been under house arrest in central Beijing since 1989, but he has enjoyed the political protection of Deng. Without it, Zhao undoubtedly would have faced severe punishment for his actions, since several leading hard-liners blamed him for the pro-democracy demonstrations and sought harsh retribution.

Deng continued to experience stiff resistance from several of his octogenarian contemporaries and those who controlled the central economic, propaganda, and security organs. Peng Zhen, Li Xiannian, Wang Zhen, Song Renqiong, and Chen Yun—all retired senior leaders—apparently disagreed with Deng's assessment of the leftist threat. They were joined by Politburo Standing Committee members Yao Yilin, Song Ping, and Li Peng. On the other side, Deng enjoyed the support of party General Secretary Jiang Zemin, President Yang Shangkun, and Politburo Standing Committee members Qiao Shi and Li Ruihuan.

Elite politics once again had become highly factionalized and the battle lines were drawn, with the struggle focused on control of the propaganda appara-

tus.¹ The party's propaganda department, *People's Daily*, the Central Party School, the Party History Research Office under the Central Committee, and the journal *Contemporary Thought* were the key organs in the conflict. All were under the control of hard-line ideologues who were attempting to use them to undercut Deng's new line, but by June, Qiao Shi and Li Ruihuan had gained control of these organs and were proceeding to root out Deng's proponents.

Contemporary Thought (a new journal headed by Marxist ideologue Deng Liqun) was closed for openly challenging Deng's speeches during his Guangdong inspection trip. Gao Di, director of the *People's Daily*, also came under intense criticism (directly by Li Ruihuan) for obstructing reporting of Deng's trip and was accused of amending key materials published in the party's newspaper. The Party History Research Office, which had been required to collect voluminous material criticizing "bourgeois liberalization" and had identified more than 100 intellectual proponents of this errant trend, was relieved of this task and permitted to resume its research work. Similarly, the Party School's study groups for senior cadres were reorganized. The "anti-peaceful evolution" study class for high-level cadres was disbanded, and new classes set up to study Deng Xiaoping's "thought." The party propaganda department, which oversees the national media, was also scrutinized for "leftist obstructionism," and a special "cadre inspection group" was dispatched by security chief Qiao Shi to investigate the Ministry of Culture and State Educational Commission.

THE MILITARY FACTOR

Since the spring, Deng has attempted to use his considerable influence with the military in his struggle to regain power from the civilian conservatives. Deng ensured that senior People's Liberation Army (PLA) figures either accompanied him on his trip or were subsequently dispatched to see the freewheeling south with their own eyes (senior commanders from all seven military regions and central PLA departments were sent on inspection tours). Deng has the allegiance of most key PLA leaders, and realizes that the military will play a decisive role in the succession process. Exposing PLA leaders to the "southern miracle" was also an attempt by Deng to balance the intense ideological indoctrination against bourgeois influences that the PLA had been subjected to after Tiananmen.

Following Deng's trip an enlarged meeting of the Central Military Commission was convened in Beijing during the last 10 days of April. The CMC meeting apparently failed to endorse Deng's call to counter "leftist tendencies" in the army. This is not surprising

since Yang Baibing (the leading "leftist" in the PLA) presided over the meeting, but it also showed the effect of the indoctrination campaigns of the last three years.

Since June 4, 1989, the PLA has been thrust back into the political arena. After a decade of withdrawal from politics, the army is once again playing a king-maker role, brokering the process of political succession while furthering its own corporate interests. Just as elements of the PLA high command proved crucial in the transition to the post-Mao era by arresting the Gang of Four and restoring Deng to power, senior commanders and military-politicians will prove decisive in determining who succeeds Deng and the group of octogenarians who collectively rule China today. They will also exercise considerable influence over the policy program adopted by the post-Deng leadership.

The central individual in the civil-military balance is the country's president, General Yang Shangkun. Yang personifies the soldier-politician in China today. A veteran of the Long March and a key commander in the Second Field Army during the revolutionary and civil wars, Yang has worked in central military and Communist party institutions since 1949. Deng's relationship with Yang dates to the early 1930s, when they worked together in the Jiangxi base area, and Deng has extended his patronage to Yang since the 1950s. It was Yang to whom Deng turned to oversee the military reforms of the 1980s and to engineer the crackdown on Tiananmen's protesters in 1989.

Now a robust 85, Yang is without doubt the most powerful military figure in China. He has served as the second-ranking official on the Central Military Commission since it was reorganized following the Beijing massacre of 1989. Given the weakness of party General Secretary Jiang Zemin, who is also the commission's chairman, Yang effectively runs the CMC. He also possesses considerable political clout through his position as president, his membership on the ruling Politburo, and his network of personal ties among the civilian and military elite.

Yang's control of the armed forces and central role in elite politics place him in the best position of any Chinese leader to succeed Deng Xiaoping when Deng leaves the scene. Yang appears prepared to relinquish the presidency at the upcoming party congress, but since political power in China does not necessarily accrue from official position, Yang remains poised to rule China from behind the scenes, much as Deng has done in recent years.

In the succession process, Yang can probably count on the support of his 72-year-old stepbrother, Yang Baibing. The younger Yang worked his way up through the political commissar system of the Red Army and PLA and now holds an impressive portfolio of positions, although his personal power base is much weaker than his elder brother's. Currently Yang Baibing is secretary general of the CMC, which means he

¹The following discussion is based on personal communications in China and a number of reports from the Hong Kong media.

is responsible for running the day-to-day affairs of the commission. He is also a member of the Central Committee Secretariat, the body responsible for running the daily operations of the Chinese Communist party. These two posts afford Yang considerable power as a gatekeeper and agenda-setter, even though they are essentially staff jobs. However, Yang Baibing is poised for promotion to the Politburo at the fourteenth party congress.

The younger Yang is also director of the General Political Department (GPD) of the armed forces. Appointed to the post in 1987, Yang was put in charge of reviving the PLA's political control organs (the political commissar system, the party committee system, and the party's discipline inspection committee system). The GPD and these bureaucratic systems were allowed to languish somewhat during the early 1980s and particularly after Zhao Ziyang became first vice chairman of the CMC in 1987. After Tiananmen, Yang Baibing oversaw the most intensive ideological indoctrination of the PLA rank and file carried out since the Lin Biao era (1959–1971).² The campaign aimed at ensuring total military loyalty to the party. The indoctrination campaigns eased somewhat this spring, and their lasting effect on the PLA remains unclear.

Yang Baibing thus occupies a crucial position between the party and the army. Since Deng's tour of the SEZs, Yang has publicly endorsed the program for the army to act as "protector and escort" for reform. Yet one must be skeptical of Yang Baibing as a reborn reformer. Tracing his career and reading his speeches leaves no doubt that he is an ideological hard-liner. One suspects Yang Shangkun has persuaded the younger Yang to follow Deng's line, and that Yang Baibing has seen the personal merits of changing his profile. Lining up behind Deng and Yang Shangkun at this time no doubt advances his chances of promotion to the Politburo and the inner circle of leaders that will make the transition to the post-Deng era. It certainly positions Yang Baibing as a key player among the military elite.

Other key active-duty military officers who figure prominently in the current civil-military balance include Defense Minister Qin Jiwei, Chief of General Staff Chi Haotian, General Logistics Department director Zhao Nanqi, and CMC vice chairman Liu Huaqing. These four senior officials are members of the group of military modernizers who have not necessarily been comfortable with the re-politicization of the PLA in recent years. They have fought for, and won, more than a 40 percent increase in the military budget in real terms in the three years since 1989. A large portion of

the increase has gone toward pensions and the other costs associated with the PLA's troop demobilization program, but a significant percentage is also being spent on procuring new hardware.

Among this group, Chi Haotian appears to have the best chance of promotion during expected shakeups of the PLA High Command that will coincide with the party congress. His relatively young age, 63, is a factor in Chi's favor, but more important is Deng's and Yang Shangkun's strong backing. Chi could likely be elevated to the CMC. If he gives up his position as chief of general staff, it will probably go to 48-year-old He Pengfei, the son of Marshal He Long and Deng Xiaoping's son-in-law (he is married to Deng Nan). All indications are that Qin Jiwei, 78, will also retire as defense minister. He has not been in favor since 1989. Likely candidates for the job include Yang Baibing, Chi Haotian, and Zhao Nanqi. Given that the position has traditionally been filled by military professionals rather than political commissars, Chi and Zhao would probably have the inside track.

Retired senior PLA personnel will also undoubtedly play a role in the coming political succession and continue to exercise influence over defense policy. Retired Generals Zhang Aiping, Ye Fei, Yang Dezhi, Chen Zaidao, and Xiao Ke wield considerable clout in elite military circles and with Deng himself. All are veteran military professionals who have deep doubts about the party using the army for internal security purposes. All signed the famous May 17, 1989, "letter of opinion" to Deng and the CMC expressing their opposition to the use of force and the use of the PLA to suppress the Beijing demonstrations. Since that time there is evidence that this group is uneasy about a power play by the Yang brothers, and they have worked behind the scenes to shift the PLA's focus from political indoctrination to military modernization and professionalism.

The succession will be protracted and complex, and will be shaped as much by trends in Chinese society as by maneuvering among the elite. Yet, while Chinese society is moving distinctively in a more open and liberal direction, the elite has moved in the opposite direction since 1989. This year Deng has sought to bring the elite more in line with socioeconomic trends, including his attempts to gain PLA support for accelerated reform. The resistance he has encountered among some in the upper echelons of the PLA indicates that the military continues to be a conservative institution in an increasingly progressive society. The PLA remains the vanguard of Communist party rule, and the party will use the military as its last line of defense.

Much of the respect Chinese had for the military was shattered in 1989, and many now look on it with disdain yet they also fear it. The military is part and parcel of a largely discredited party/state apparatus. If the armed forces and party are to survive and continue

²For further detail on this process see David Shambaugh, "The Soldier and the State in China: The Political Work System in the People's Liberation Army," *The China Quarterly*, September 1992, pp. 527–568.

to rule China in a noncoercive manner, they must accommodate themselves to an increasingly pluralistic society and economy that will dictate China's eventual political direction.

PROSPECTS FOR THE PARTY CONGRESS

Communist party congresses in China are largely showcase affairs that reflect discussions and decisions behind closed doors during the months leading up to them. Such preparation and inner-party wrangling has been under way for some time. Deng's trip to the south in January only accelerated elite strife by polarizing the leadership into more clearly identifiable factions than had previously been the case. Perhaps that is what Deng had in mind. Certainly Deng has sought to clearly identify his allies and enemies in the leadership and to force a reorientation of the "general line."

Trends since Deng's trip to the south suggest that he will probably be successful in installing a number of like-minded individuals in the leadership at the congress, and in reviving a policy program more oriented toward rapid economic growth than ideological purity. Yet politics in China—as in all countries—is the art of compromise. Expect a new Central Committee and Politburo leadership and a congress communiqué that play to several constituencies. The policy document to emerge from the congress may be so rhetorical and full of contradictory statements (again to please different constituencies) as to render it meaningless. This has been the case with the policy documents to emerge from the last three Central Committee plenary sessions, reflecting elite stalemate. However, early indications are that the working group to draft the political report for the congress contains several individuals not associated with hard-line conservatives.

The last three party plenums have also been unable to make any new personnel appointments to the ruling Politburo. This should change at the fourteenth congress. Namelists for the new Central Committee, Politburo, and Politburo Standing Committee have already been drawn up (and leaked to the Hong Kong press). In addition to the likely changes in the CMC and PLA High Command noted earlier, military additions to the Politburo will probably include Generals Yang Baibing, Liu Huaqing, Chi Haotian, Ding Heng-gao, and Xu Xin. This would represent the largest PLA representation on the Politburo in a number of years. Military additions to the Central Committee are also due to rise.

Civilians who will apparently be promoted to the Politburo include Foreign Minister Qian Qichen, Vice Prime Ministers Zou Jiahua and Zhu Rongji, Secretariat member Wen Jiabao, Beijing Mayor Chen Xitong, Taiwan Affairs director Wang Zhaoguo, State Councilor and science czar Song Jian, economic planner Chen Jinhua, and four municipal/provincial leaders from Shanghai, Tianjin, Guangdong, and Liaoning. A return of Zhao Ziyang in some capacity cannot be ruled out entirely, but is doubtful.

This reconstituted Politburo is not firm, since there has apparently been stiff opposition to several of these promotions from Chen Yun and his faction, but most will likely be promoted. However, the question of who is *demoted* is the key one. Prime Minister Li Peng will relinquish his post to Zhu Rongji, but it is unclear what Li's future will be. Some predict that Li will replace Yang Shangkun as president, an honorific but essentially powerless position. Others think that Li, who is widely reviled for his role in declaring martial law and engineering the Tiananmen massacre, will be pushed out of power altogether.

If these promotions go through the Politburo will be one of the largest in history. This would play to Deng's advantage, since the majority of members would be his allies and protégés. Packing the Politburo with supporters rather than purging opponents has been a consistent tactic of Deng's throughout his career.

PERSPECTIVES

That Deng Xiaoping cast such a long shadow this year says much about the unchanged nature of Chinese politics. The highly personalized and factionalized nature of elite politics, the lack of an institutionalized succession, and vigorous conflict over future policy indicate that Deng has failed to transform the Chinese political system despite his progress in other areas. These are the same problems that haunted Chinese politics at the end of the Maoist era. That the utterances of an 88-year-old man mean so much to a nation of 1.2 billion people, and that a retired leader can still dictate policy and the makeup of the political leadership says much about the problems afflicting the Chinese polity. By trying to reorient the national agenda and put in power a group of civilian and military officials, Deng Xiaoping is trying to ensure his own succession and address the failings of his own political legacy. ■

China's special economic zones have proved to be the most exciting elements in the Chinese economy. "But the spread of the SEZ experience... does [not] add up to a coherent... market system, although many... have lately been carried away by what they see as the systemic transubstantiation of China before their very eyes. They take for a body what are still only body parts, cleverly but somewhat randomly put together."

China's Economic Dynamos

BY JAN PRYBYLA

A government escort showing a foreign correspondent through the neocapitalist model village of Qizhong—where most land is privately owned and peasants live in cable television-equipped 200-square-meter villas while families in nearby Shanghai make do with an average of 12 square meters—shook his head in disbelief and said, "When I was young, we were taught that anything designed to make your life more comfortable was capitalism. Later we were told the difference between capitalism and socialism was that one was a market economy and the other was a planned economy. Then the government began stressing that capitalism uses planning as well and that socialism can take advantage of the market. The latest stage is that whatever improves your life is socialism. You see, it is very confusing."¹

It is easy to understand his confusion. After 30 years of experimenting with variants of central planning, China initiated several changes in its economic system in 1979 that went beyond the usual tinkering and addressed some of the root causes of the socialist economy's disease. The changes included the decollectivization of agriculture; the rapid development of small private and quasi-private (that is, cooperative) enterprises to produce goods and services outside the state plan for both consumers and producers; progressive marketization of prices and foreign exchange rates; and most critically, opening China to foreign commerce, investment, and loans—which also let in, despite resistance from the government, bourgeois ideas and life-styles.

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¹Jonathan Karp, "Traveller's Tales," *Far Eastern Economic Review*, May 14, 1992, p. 34.

The progressive if still partial and disjointed marketization of the economy was not intended to transform the socialist system into capitalism (and certainly not to help bring about a parallel transformation of one-party rule into political pluralism). Instead, it was meant to make socialism work better and, in the short term, repair the damage inflicted on the economy by the Cultural Revolution. After the June 1989 Tiananmen Square massacre, despite opposition from hardliners like Chen Yun, Yao Yilin, and Li Peng and the dismissal of leading reformers like Zhao Ziyang, the reformist course was by and large maintained for the sake of "social stability"; it was feared that the return of central planning, which had proved unworkable but which the party's hard-line faction was pushing for, would again bring the people out into the streets and lead to bloodshed. Paramount leader Deng Xiaoping and his supporters in the leadership now hope to use capitalism—ever bigger bits and pieces of it, at least—to save the party's monopoly on power.

GROWTH IN FOREIGN INVESTMENT

Tiananmen could have caused either China or the capitalists of the world and their governments to shut the door to the international market. The post-Tiananmen years, however, have witnessed an unprecedented growth in external investment in and trade with China, and in the number of tourists visiting the People's Republic. Overseas Chinese have been largely responsible, with Hong Kong and Taiwan leading the way. Foreign trade and investment have been strongest in the southern provinces nearest these two Asian tigers.

Taiwan's investment in China since 1987, most of it in Fujian and Guangdong provinces, now officially exceeds \$3 billion (and with all the hanky-panky going on in reporting, is probably more than admitted). In 1991 alone Taiwan invested \$840 million, a 41 percent increase over the previous year. One-third of the \$3.5-billion foreign investment in the Xiamen special

Taiwan. "Xiamen," says Heritage Foundation China observer Andrew B. Brick, "might as well be part of Taiwan." Indirect trade through Hong Kong between Taiwan and China has been growing since 1988 at roughly 40 percent annually; valued at \$77 million in 1979, it increased to \$4 billion in 1991 and is expected to reach \$7 billion in 1992.

Hong Kong is responsible for two-thirds of total foreign investment in China. In Guangdong province, the Shenzhen SEZ across the border from Hong Kong, and increasingly, the vast Zhu (Pearl) River delta around Canton, are becoming economic extensions of Hong Kong. "From an airplane," James McGregor writes in the May 20 *Wall Street Journal*, "booming southern Chinese [Guangdong] province looks like one huge construction site." Four-fifths of foreign investment in Guangdong, which totaled almost \$3 billion in 1991—and rose 30 percent in the first quarter of 1992—originates in Hong Kong. The 16,000 Hong Kong-owned factories in the province export \$11-billion worth of goods annually, and employ 3 million Chinese workers, in comparison with the 680,000 Hong Kong workers employed in manufacturing in Hong Kong itself. Developers from the territory own more than 100 million square feet of land in the Zhu River delta. (They are also bidding on the construction of a very un-Maoist horse racing track in the Shenzhen SEZ.) While Hong Kong investments have up to now come mostly from relatively small companies, the territory's large corporations, such as Jardine Matheson Holdings Ltd. and New World Development Company, are getting in on the action by investing not only in hotel, residential, and commercial projects, but also in energy, railroads, and telecommunications.

Other foreign investment is pouring in as American, Canadian, European, Australian, and Japanese companies attempt to escape the pinch of recessions at home. In 1990, the year after Tiananmen, more than 7,000 foreign investment contracts valued at \$6.6 billion were signed. Loans to China from international financial institutions and concessional and commercial sources have resumed, including a \$5.7-billion Japanese credit package held up for a time by what the business community in Japan viewed as the Tiananmen contretemps.

Foreign sales are booming, particularly to the United States, which takes about a third of China's total exports (Chinese products now have a 10 percent share of the American footwear market, 15 percent of the apparel market, and 33 percent of the toy market). The United States trade deficit with China last year was \$12.7 billion, surpassed only by its deficit with Japan.

China's overall exports rose at an average of 13 percent a year throughout the 1980s, and that rate has been sustained in the early 1990s. If this continues, by the year 2000 China's exports will reach \$160 billion to \$210 billion annually, putting the country among

the world's top dozen exporters (in 1990 it was the world's fourteenth largest exporter); Chinese hard currency reserves have risen to \$40 billion, roughly half Taiwan's.

OPENING THE DOORS TO LIBERALIZATION

What explains this dynamic situation? First, no doubt some of the bouncing and booming is cyclical. The economic changes launched in 1979 were characterized by progressively shrinking socialist elements and emerging capitalist ones. Neither set has been fully integrated within itself, and the two sets are often at odds, particularly on the price and property fronts. As change has proceeded, the Chinese economy has taken a roller coaster ride. From September 1988 through 1989, for example, the country experienced an austerity-recessionary phase accompanied by widespread popular discontent; many of the issues the Tiananmen demonstrators raised were economic ones, including eroding urban living standards and cadre venality. Economic retrenchment policies were eased in 1990, but assessments of the prospects for market-oriented reform and the economy in general were much less optimistic than they are now.

Second, much of the success of the economy in the early 1990s can be attributed to the gradual enlargement of property rights in agriculture and to the spectacular expansion of the nonplanned entrepreneurial sector. This sector includes labor-intensive, export-oriented, privately and cooperatively owned enterprises at the neighborhood, village, township, and city level specializing in services and consumer and producer goods. Their technological sophistication is modest but rising, primarily because of investment from Taiwan and Hong Kong. They do most of their buying and selling on still thin markets of varying degrees of imperfection (much of it traceable to the need to grease bureaucratic palms). They obtain a rising portion of their financing from informal credit markets, while local central authorities look the other way and live it up with the proceeds in Shenzhen's discotheques.

There were 1,500 entrepreneurial firms in 1980; there are nearly 400,000 today, the majority of them located along the south's "gold coast." They put displaced farm labor to work in more productive employment for more pay. Urban cooperative enterprises, service establishments, private businesses, village factories, and foreign-funded companies currently employ 60 percent of China's industrial workers. Village industries alone provide jobs for more than 90 million workers (there are only 70 million jobs in state-owned industries, at least 7 million of them superfluous) and make possible the Qizhong village phenomenon. Most important, the entrepreneurial firms are the most dynamic and, when compared with

state-owned counterparts, the most efficient sector of the economy.

These new enterprises are the motive force behind China's export-driven economic takeoff. In 1990, 70 percent of the country's industrial growth stemmed from private, cooperative, and foreign-invested ventures, and half of China's exports were made outside the state plan. In 1978 the nonstate sector accounted for 20 percent of China's output of manufactured goods; in 1991 it produced 50 percent, and this year the figure is expected to exceed that level for the first time since the early 1950s. In 1979 the share of central plan allocation in China's gross industrial output was 90 percent. Today it is 20 percent. Half of China's total exports and more than half the exports of manufactures are produced by non-state sector enterprises.

In 1990 subsidies to inefficient state firms still operating on Maoist egalitarian principles and "iron pot" job and wage guarantees cost \$11 billion, or 17 percent of central government expenditures, plus \$5 billion in loans—that is, another 7.7 percent of state budgetary outlays.² By 1992 the centrally planned state-owned sector accounted for only about one-third of China's gross national product, 18 percent of its jobs, and less than half its industrial output value. A significant portion of the credit for China's booming economy must be assigned to the expansion of market and neo-market motivations and enterprises, to profit-oriented behavior by managers and owners, and to improved job performance by workers whose wages are now a function of their productivity rather than their class origin.

The opening up to the world market that accompanied the internal changes is the critical third factor in China's recent economic takeoff. The door to the outside was not flung wide—it is more open for exports than for imports—nor has it been consistently kept open. But the difference, when compared with the period from the 1950s through the 1970s, is dramatic. Policy was reoriented away from autarkic development toward export promotion-cum-import substitution, a

course followed in the 1960s, 1970s, and for part of the 1980s by Taiwan and South Korea—in all three instances with cooperation from the United States, which allowed the countries' exports to enter the vast American market with relative ease.

Unsurprisingly, the United States has leveled complaints against all three countries of import discrimination, piracy of intellectual property (alleged annual losses of \$400 million to American pharmaceutical firms alone in recent years, and a further \$420 million in lost profits annually from Chinese violations of copyrights), and other unfair practices, some unabashedly protectionist. These have contributed to very large and—in the case of mainland China, growing—trade imbalances. (Taiwan, by investing in China and exporting the products of its mainland factories to the United States, has helped reduce its trade surplus with America and to some extent defuse United States–Taiwanese trade tensions, while contributing to China's rapidly rising surplus.)

From the outset China's open door has included invitations for private foreign investment. Initially, China sought mainly technology and know-how transfers. But after the promulgation in October 1986 of the Provisions for the Encouragement of Foreign Investment, on the model of Taiwan and other Asian market economies, more "structural" investment was encouraged, for the sake of direct foreign involvement in the development of the economy.

Opening the door has also meant accepting loans from foreign commercial banks, concessional credits backed by foreign governments, and development and other loans from international agencies. (China's international debt in 1991 stood at \$52.5 billion.) It has also involved joining some of these agencies, including the World Bank, the International Monetary Fund, and the Asian Development Bank; China has a membership application pending before the General Agreement on Tariffs and Trade as well.

As part of the open door policy, the yuan's exchange rate against the United States dollar and other hard currencies has been managed at more market-realistic levels. Like Taiwan in the late 1950s, China has abandoned the strategy of overvaluing its currency. Since December 1989 it has devalued the yuan against the dollar by 27 percent, then by an additional 10 percent, and is presently set on a course of adjusting the exchange rate more frequently and by smaller amounts so as to bring it close to the market exchange rate and eventually make it convertible.

Before 1979 China's foreign trade was monopolized by a few state-owned corporations; today their number is around 4,000, and more important, they compete among themselves. Thus an increasing number of domestic producers who use these corporations to export their products now receive the international going rate rather than the state-determined domestic

²According to Liaoning province's governor, Yue Qifeng, 40 percent of state firms are losing money. Unlike the postsocialist Russians and eastern Europeans, the Chinese Communists are still reluctant to privatize these dinosaurs outright. The current remedy is to get rid of the really bad ones by letting the better ones take them over—a sure prescription for rendering the better ones worse off—and to allow quasi privatization by selling minority shares in "nonstrategic" state firms, beginning with retailers and manufacturers of consumer goods, to foreigners. Attempts at rationalizing wages and job tenure in state industry have apparently led to "wildcat strikes, suicides, and vendetta murders of managers." Lincoln Kaye, "Mayday May Day: Economic Reforms Cause Growing Labor Problems," *Far Eastern Economic Review*, May 7, 1992, p. 22; Jesse Wong, "China Widens Openings for Foreign Investment," *Asian Wall Street Journal Weekly*, May 11, 1992, pp. 1, 3.

price for them. Regulation tariffs on all imports are to be removed by the end of 1992. In this manner, some international competition is being imported into China.

LABORATORIES FOR ECONOMIC REFORM

The two-pronged economic policy of partial liberalization inside China and in China's relations with the outside world first came together in the special economic zones. Four of these were established in 1979: three in Guangdong province (Shenzhen, next to Hong Kong; Zhuhai, next to Macao; and Shantou) and one in Fujian province (Xiamen, facing Taiwan). The SEZs, which were primarily modeled on Taiwan's Export Processing Zones, were originally designed to attract foreign private investment that would bring in technology and managerial know-how; they were also developed to encourage hard currency-earning exports through tax holidays and lower tax rates, reduced tariffs, modern infrastructure, flexible wage and labor policy, and less bureaucracy.³ Most important, the zones were to serve as economic reform laboratories separate from the rest of the economy. Visible and invisible barriers would prevent capitalist tendencies and moral pathologies from spilling over to erode the socialist planned order and property relations. The possibility that socialist maladies including bureaucratic corruption could seep into the zones—as they did—was not entertained.

The SEZs have been as much a product of factional Communist politics as economic philosophy, which can be seen by the waxing and waning of their fortunes. In 1985 the SEZs were called a refuge for carpetbaggers, accused of bilking the rest of the country, and charged with foreign exchange losses, mismanagement, corruption, and moral decadence. Deng's approving and highly publicized trip to Shenzhen this January is but the most recent twist in the tortuous relations between the center and the zones' economic bureaucrats, who at the higher levels are all Beijing appointees.

The story of Shenzhen, the most important of the zones, can stand in many respects for all of them. In 1978 Shenzhen, an undeveloped area of 327.5 square kilometers, had a population of 70,000. In 1991 the official count was 2 million, but at least another half-million illegals were living without fixed abode, working part time in the zone. Of the 1.3 million regular workers, 80 percent were temporary, with limited if any access to government-provided social benefits. Monthly wages for unskilled workers in 1991 averaged between 500 and 700 yuan, compared to between 150 and 200 yuan in the adjoining counties of the Zhu River delta.

³See George T. Crane, *The Political Economy of China's Special Economic Zones* (Armonk, N.Y.: M. E. Sharpe, 1990), one of the best available treatments of the SEZs.



Planners originally envisaged a rapid expansion of high-technology manufacturing in Shenzhen, but growth in recent years has been most rapid in the service sector, partly as a consequence of lower manufacturing wages and overhead costs. Shenzhen's services (mostly real estate, tourism, foreign currency swapping—the Hong Kong dollar circulates freely in the zone—and a fledgling but busy stock exchange) are not at the upper end of the high-tech scale. Neither are the zone's manufactures, although in the 1980s Shenzhen was an important processor and exporter of manufactured products. Taking a page from Hong Kong, where services represent 84 percent of the gross product, local authorities in Shenzhen are pushing for a 65 percent expansion in services over the next decade.

While the SEZs are not islands of fully formed capitalism they—Shenzhen in particular—are the nearest thing in China to a market system. The fact that despite many dark spots they are successful makes them attractive to venturesome Chinese from throughout the country, as well as to gratuity-hungry and pleasure-seeking relatives of top Communist leaders.

BEYOND THE SEZS

The four original SEZs were joined in 1988 by Hainan Island, which also acquired the status of a province; the new province attempts to attract investors from the southeast Asian market economies. A more significant development from 1986 on has been the adoption of elements of the SEZ experience—real and quasi markets and private and “as if” private property rights—outside the zones, mainly along the coast and in the estuaries of the great rivers. First, change spread to the Zhu River delta; then to the rest of Guangdong; from the Xiamen SEZ to the rest of Fujian; northward to the municipalities of Shanghai, Beijing, and Tianjin and the coastal provinces of Zhejiang, Jiangsu, Shandong, and Hebei. Most recently, after the collapse of the Soviet Union, Hunchun SEZ was formed in the Tumen River delta where China, Russia, and North Korea meet.

Not long after the formation of the first four SEZs, similar but not identical principles were extended to 14 coastal cities. Since then some of the cities have established various kinds of export-oriented, “open” industrial, trade, and service areas that have to some extent overshadowed their prototypes, although they are not necessarily in competition with them. Some are from-scratch projects like the original SEZs. Others welcome foreign investment into long-standing enterprises. Because of their relatively well-developed transportation, communications, and financial infrastructures and their pool of skilled (if often demotivated) workers, these latter have a special appeal for larger foreign investors who do not want to build from the ground up.

There are three special areas in Shanghai: Pudong, east of the Huangpu River, with a total investment at the end of 1991 of \$470 million (\$240 million of it foreign) and an average investment per enterprise of \$6 million, which is higher than in most SEZs; the Minhang Economic and Technological Development Zone, set up in 1984; and the Caohejing High Technology Park. Tianjin has an Economic and Technology Development Area and Free Trade Zone with 350 approved foreign-funded enterprises valued at \$810 million, 250 of them actually in operation and exporting more than \$100-million worth of products annually.

An amusement park is to be built underground in the city of Zibo in Shandong Province, “to provide

well-off farmers with high-standard entertainment.”⁴ Beijing is constructing a 15-square-kilometer industrial district to accommodate high technology, export-oriented joint ventures with foreign investors. More ports are to be opened to foreign trade and more land tracts to foreign developers in the Zhu River delta, Hainan Island, Shanghai, Tianjin, and the Fuzhou and Xiamen areas of Fujian province.

Some Chinese observers argue that the economic liberalization, pursued mainly in the south, with other areas scrambling to get on board, has widened the historical gap between the two Chinas: one rich and relatively open to the outside world (the “gold coast”), the other poor and inward-looking (the “west,” comprising two-thirds of the country’s territory and one-quarter of its people, many of them members of minority nationalities). The difference between the gross value of the industrial production of the two Chinas, which was 256 billion yuan in 1981, widened to 679 billion yuan by 1987. The per capita gross domestic product of Guangdong reached \$1,230 in 1991—roughly three times the level in China as a whole, and comparable to that of Thailand. What some are calling the “Republic of South China” (Guangdong, Fujian, Taiwan, Hong Kong), with a population of 120 million and a combined GDP of \$320 billion, has a per capita GDP of \$2,670. The first China has also benefited disproportionately from the right to retain a portion of the hard currency earned from exports, which was granted to local authorities beginning with the SEZs; Shenzhen, for example, retained all such earnings until 1991, although it now can keep only half. Critical observers claim that “loosening the bonds” (that is, the partial marketization and privatization of the economy) has helped the coastal provinces prosper and devastated many in the interior.⁵

TRANSITION TO A MARKET SYSTEM

The partial but progressive marketization and almost-privatization of the Chinese domestic economy and the economy’s external relations since 1979 have resulted in exemplary export-driven growth, and have brought significant improvement in the material condition of large numbers of people, mainly in the southern and eastern coastal provinces. But the spread of the SEZ experience is not a prairie fire phenomenon. Nor does it yet add up to a coherent national, regional, or even province-wide market system, although many (among them numerous Taiwanese and Hong Kong businesspeople, some liberal as well as conservative American China hands, and hard-liners in the Chinese leadership) have lately been carried away by what they see as the systemic transubstantiation of China before their very eyes. They take for a body what are still only body parts, cleverly but somewhat randomly put together. And despite the agglomeration’s apparent vigor, it depends for survival on a factionalized, graft-ridden

⁴Beijing Review, April 13–19, 1992.

⁵Wang Xiaoqiang and Bai Nanfeng, *The Poverty of Plenty* (Basingstoke, England: Macmillan, 1991). The authors imply that the growing wealth-disparity problem is due principally to cultural peculiarities of the minority nationalities rather than to the persistence in the poorer provinces of strong remnants of central administrative command planning.

Communist party that in the early hours of June 4, 1989, lost its Mandate of Heaven.

Thirteen years after economic change began, China is in political terms one country held together by cultural bonds and the People's Liberation Army. Economically, it is a patchwork of emerging markets and declining administrative command plans, with dubious neomercantilistic political arbitrage practices (otherwise known as corruption) flourishing in the gullies between half-dismantled plans and half-built markets. The variegated systemlessness seems to work for now, and is moving in the direction of a market system. This will soon call for—and in some places, it already demands—a crucial political decision on a full transition.

Some parts of the country and some segments of the economy (agriculture, village and township industries, foreign trade and investment) have traveled much farther along the road to the market than have others. The process of creating a minimum critical mass of interconnected, interacting, mutually reinforcing, and internally consistent market and private property institutions that together constitute a market system is most advanced in the SEZs, especially Shenzhen. The Zhu River delta and Guangdong and Fujian are in the chrysalis stage of the market system, the delta visibly more so than the provinces. Economically, they all have more in common with Hong Kong and Taiwan than with neighboring and distant inland provinces. For them to continue to develop and prosper requires, certainly before July 1997 when Hong Kong reverts to

China, a clear political decision—not just a tacit understanding between central and provincial power brokers—to cross the border into capitalism, possibly a capitalism with Chinese cultural characteristics. The market system does not just happen, even though spontaneous entrepreneurial action is indispensable to its birth.

The experience since 1989 of eastern Europe and the former Soviet Union teaches that active midwifery by a freely elected, market-friendly government is needed to establish the legal and social framework within which markets and private property rights can develop and fuse into a market system. Experience from before 1989 also suggests that halfway constructs of market socialism, a socialist market, or a labor-managed market economy (as in the former Yugoslavia) do not provide a long-term cure for the problems of socialism, and may indeed be worse. Above all, events have demonstrated that a full transition from central planning to the market system requires prior fundamental change in the political system; even the most progressively revisionist and contortionist Communist party cannot carry it off, since it would require the rejection of everything the party stands for.

The conclusion imposes itself: for China to make the transition to a market system, the Chinese Communist party must first relinquish or be made to relinquish its monopoly on political power. Since the need for such a transition, and hence the urgency for the party's removal, is greatest in the southern coastal provinces, it is not inconceivable that both events may occur there in the not too distant future, accompanied by the forging of a more formal economic association of the provinces with Hong Kong and Taiwan.⁶ Some view the prospect of the economic and political fragmentation of China with extreme skepticism, but the possibility is latent in China's ever more prosperous south. ■

⁶I present this view in an article in *The Asian Wall Street Journal*, March 16, 1992, p. 6, and examine it at greater length in my contribution to a forthcoming book edited by Peter J. Boettke, *The Collapse of Development Planning* (New York: New York University Press, 1993).

"While China appears far more stable than it did only a year ago, the question of when Deng Xiaoping will die, who will succeed him, and how, and what this will mean for economic policy remains the central mystery of the country's immediate future."

The Economy's Continued Growth

BY THOMAS R. GOTTSCHANG

In January, Deng Xiaoping, China's 88-year-old paramount leader, made a rare excursion to the southern province of Guangdong. In the province's Shenzhen and Zhuhai Special Economic Zones (SEZs), Deng issued a series of statements intended to accelerate the country's transition to an economic system based on the market. Deng's comments soon formed the main theme of government policy discussions and they dominated the annual meeting of China's top legislative body, the National People's Congress, which opened in late March. The enthusiastic response of the delegates to the Congress's decisions may well reflect rising confidence in the economy's market-based elements, which have exhibited growing strength and achieved successes in 1991 in such key areas as foreign trade, agricultural production, price reform, inflation control, and the growth of rural enterprise. These accomplishments were particularly noteworthy in a year marked by disastrous summer floods, conspicuous failure to eliminate inefficiency in state-owned industries, and political uncertainties lingering from the 1989 Tiananmen crisis.

FOREIGN TRADE AND FUTURE ROTTERDAMS

Since market-oriented reforms were initiated under Deng's leadership at the end of 1978, foreign trade has played an increasingly important role in the Chinese economy, rising from a level equivalent to less than 10 percent of gross national product in 1978 to over one-quarter of GNP in the late 1980s. After faltering because of foreign restrictions imposed in the wake of

Tiananmen, foreign trade equaled 31 percent of GNP in 1990, and advanced by 17.5 percent last year to more than 36 percent of GNP.¹

The most important policy measure contributing to the increase in foreign trade was the devaluation of the yuan to a level close to its true market value. After being pegged since July 1986 at the increasingly overvalued rate of 3.71 yuan to the United States dollar, the yuan was devalued by 27 percent, to 4.71 to the dollar in December 1989, and to 5.21 to the dollar the following November. Since then, the official exchange rate has fluctuated mildly, apparently in response to market forces. Although by no means the only factor involved, the reduced value of the yuan significantly lowered the cost of Chinese goods for foreign buyers, while raising the price of imports. The modest but persistent trade deficit of the late 1980s turned into a strong surplus in 1990 and 1991, providing welcome foreign exchange at a time when the country faced record repayments on foreign debt.

Adjustments to the exchange rate have been greatly facilitated in recent years by the expanded use of foreign currency exchange centers, which were located in more than a hundred Chinese cities by 1991. Although not well integrated, the system has effectively replaced the foreign currency black market, allowing Chinese and foreign-funded firms to legally trade yuan for foreign currencies at rates determined by supply and demand—in other words, at market rates.

Several other policy initiatives have also aided the rapid growth in foreign trade. Shanghai, Tianjin, and the Shenzhen SEZ opened new free trade zones as an enticement to investment by foreign firms. Direct leasing of land to foreign firms was expanded last year, both to encourage investment and to earn revenue. In October the State Council decided to open the major Yangtze River ports of Wuhan, Jiujiang, and Wuhu to foreign ships. Foreign banks were for the first time allowed to establish branches—not just offices—in Shanghai, making it the first place in China outside Shenzhen where they could do so; in June 1991

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¹Unless otherwise noted, all data and information are from *Zhongguo tongji nianjian 1991* [China statistical yearbook 1991] (Beijing: Zongguo tongji chubanshe, 1991); *China Daily*; and *Beijing Review*.

bank announced that foreign banks would be allowed to open branches in Guangzhou, Dalian, and Tianjin. The government has also set numerous other foreign trade policy reforms in motion in an effort to comply with regulations of the international General Agreement on Tariffs and Trade (GATT) and gain membership for China in the group.

In 1991 China signed agreements with foreign firms for a total of \$17.8 billion in investment, an increase of 47 percent over the previous year; \$11.3 billion of this was spent. In the first quarter of 1992 alone, the value of new contracts was \$6.54 billion, an increase of 140 percent, while the \$2.53 billion actually used represented an increase of 41 percent. These contracts included commitments from IBM to build a plant in Beijing, from Motorola to establish the largest single foreign investment project in Tianjin, and a joint venture by General Motors to produce pickup trucks in Manchuria. Foreign-funded firms are still a very small part of the Chinese economy, accounting for less than 7 percent of the total value of 1991 industrial output when lumped with private, domestically owned firms. But their growth rate has been dramatic, reaching 44 percent in 1991 and 43.4 percent for the first four months of this year.

China has also achieved significant progress in trade with many of its neighbors over the last two years. Lively trade blossomed along the frontiers with Vietnam, Laos, and Myanmar to the south, with the former Soviet Central Asian republics of Kazakhstan, Kyrgyzstan, and Tajikistan to the west, and with Russian Siberia across the border of Manchuria to the northeast. Although totaling only \$2 billion in 1991 (partly because it is almost entirely on a barter basis), this trade doubled last year and has considerable potential for the local economies, since it takes advantage of natural trade relationships and in many places involves minority ethnic groups that live on both sides of the border. China also continued to expand economic relations with Taiwan, which since 1987 has become a major trade partner and source of investment funds. A most-favored-nation trade agreement between China and South Korea was signed in Beijing on December 31, 1991; trade between the two reached nearly \$3 billion that year and is expected to exceed \$5 billion in 1992.

An ambitious new plan that could give a powerful impetus to China's regional trade proposes an international free port and development zone at the mouth of the Tumen River, where China, Russia, and North Korea meet along the Sea of Japan. Referred to at times as the future "Rotterdam of Asia," the project, to be developed jointly by China, Mongolia, North Korea, South Korea, and Russia, has received a grant of \$3.5 million from the United Nations Development Program for an initial feasibility study.

Foreign Trade				
	1988	1989	1990	1991
Total Trade (in billions of dollars)	102.8	111.7	115.4	135.7
Trade Balance (in billions of dollars)	-7.8	-6.6	8.7	12.4
Exchange Rate	3.71	3.71	4.77	5.30
Trade Relative to GNP (in percent)	27.3	26.1	31.4	36.7
Share of Total Trade (in percent)				
Hong Kong	29.4	30.9	35.4	36.6
Japan	18.4	16.9	14.4	14.9
United States	9.7	10.9	10.2	10.5
Exchange Rate: Yuan per dollar, annual averages.				
Sources: China Daily (various issues, 1989-1992); Zhongguo tongji nianjian, 1988 [China statistical yearbook, 1988] (Beijing: China Statistical Information & Consultancy Center, 1988). Zhongguo tongji nianjian 1991 (Beijing: Zhongguo tongji chubanshe). "Statistical Communique of the State Statistical Bureau of the People's Republic of China on 1991 National Economic and Social Development," Beijing Review, March 23-29, 1992.				

THE ENTERPRISING RURAL SECTOR

The star of the domestic economy has been the rural enterprise sector, which increased its total output value by 22 percent last year and grew at a rate of 36 percent the first quarter of 1992. The sector's firms, also referred to as "township enterprises," include locally owned companies that had operated under collective ownership at the commune (now township) level or below before 1984, and others of various ownership forms that have been established outside the state-owned sector in rural areas since then. They function in what is essentially a market environment, and while they have created difficulties by competing with state firms for resources and product markets, they have also proven to be an unexpectedly strong engine of growth in areas of major concern to the government, including exports and the creation of jobs for the rural labor force. Last year rural enterprises produced 32 percent of China's coal, 25 percent of its cement, 42 percent of all paper and cardboard, 36 percent of nylon, and 80 percent of all clothing. They exported over \$11-billion worth of goods, or 15 percent of total exports. In addition, they paid taxes amounting to 12 percent of national revenue and provided employment for 96 million rural workers, or nearly a quarter of the rural labor force.

Selected Economic Indicators

	1988	1989	1990	1991
Inflation Rate (in percent)	18.2	10.1	2.0	3.4
Savings Interest Rate (in percent)	8.4	11.1	9.8	7.9
Real Interest Rate (in percent)	-9.8	1.0	7.8	4.5
Savings Deposits (in billions of yuan)	380	515	703	911
GNP (in billions of yuan)	1,402	1,592	1,769	1,958

Inflation: National consumption-spending inflation index, comparable to the American consumer price index.

Savings Interest Rate: Rate on 12 month deposits, annual averages.

Real Interest Rate: Savings interest rate minus inflation rate.

Sources: *China Daily* (various issues, 1989–1991). *Zhongguo tongji nianjian 1991* [China statistical yearbook, 1991] (Beijing: Zongguo tongji chubanshe, 1991). "Statistical Communique of the State Statistical Bureau of the People's Republic of China on 1991 National Economic and Social Development," *Beijing Review*, March 23–29, 1992.

In the agricultural sector, total output value—including crop cultivation, animal husbandry, fisheries, forestry, and farm sideline production—rose by 3 percent last year over 1990. This was a significant success in light of the catastrophic floods in the lower reaches of the Yangtze River valley in June and July 1991, which affected 20 percent of China's farmland while causing more than 1,200 deaths and leaving 2 million people homeless. Grain was the only major crop category showing a decline in yield in 1991, falling 2.5 percent, to 435 million tons—which, officials pointed out, was still the second largest harvest ever, following only the previous year's record. As a result of the generally good harvest, and the growth of nonagricultural enterprise in the countryside, rural families ended the year with a 2 percent increase in average per capita income after inflation.

During 1991 and 1992 progress was made in eliminating the expensive and inefficient subsidies of grain and vegetable oil sales in the cities. Under a rationing system established in the 1950s, urban residents were issued coupons that entitled them to purchase grain and vegetable oil in state stores at below-cost prices. In 1990 the system reportedly consumed over 11 percent of the government budget. Beijing decided to remove the subsidies because of several long-term trends, including a shift toward consumption of more expensive foods purchased on the free market by increasingly affluent urban families, declining market grain prices resulting from good

harvests, and a substantial strengthening of the commercial grain distribution network by the establishment of China's first regional wholesale grain markets in 1990 and 1991. In two steps taken in May 1991 and April of this year, the government raised the retail prices of rationed grain and vegetable oil to equal the prices paid to farmers by state agencies. This was an important measure, but not a complete remedy. The groundwork has now been laid to shift entirely to the market, and Guangdong province has successfully taken the first step in that direction.

GUANGDONG AND HONG KONG

During his visit to Guangdong in January, Deng said the province should strive to catch up economically with East Asia's "Four Dragons" (South Korea, Taiwan, Hong Kong, and Singapore) within 20 years. In fact, the economy of Guangdong has become intimately entwined with that of neighboring Hong Kong, and as a consequence (helped perhaps by its distance from Beijing) the province has had since the early 1980s the fastest growing of China's regional economies. While national income increased at a brisk 8.7 percent a year between 1978 and 1990, Guangdong's gross domestic product grew at an average annual rate of 12.4 percent. China's foreign trade rose an average of 15 percent annually over the same period, but Guangdong's was growing over 22 percent a year. In 1989 and 1990 Guangdong absorbed over \$4.4 billion of utilized foreign capital, by far the largest amount of any region in China, and nearly 40 percent of the total. Last year survey data showed per capita income in Guangdong to be the highest in China, averaging 2,530 yuan in urban areas and 1,143 yuan in rural ones.

Hong Kong is not only the key to growth for Guangdong but China's most important window on the international marketplace. The Tiananmen crisis raised grave doubts about Hong Kong's future among local residents and foreign business alike, exacerbating the tensions surrounding the colony's scheduled reversion to Chinese control in 1997. These concerns, however, seem largely to have died down. As China's foreign trade has flourished, so has the economy of Hong Kong. Over 60 percent of the substantial increase since 1989 in total Chinese foreign trade has moved through Hong Kong, which has once again become one of Asia's most attractive destinations for foreign investment.

FIGHTING INFLATION WITH SAVINGS

Inflation is one of the most disruptive economic problems China faces, as shown by the part it played in fomenting the civil unrest that led to the Tiananmen crisis. (The rapid inflation of the late 1980s peaked at an annualized rate of nearly 28 percent in early 1989.)

A major achievement of the last two years has been the low rate of inflation, held to 2 percent in 1990 and 3 percent in 1991. The inflation rate has been held down because of low consumer spending, which has largely been the result of unprecedented growth in private savings deposits.

Inflation was halted in the second half of 1989 by a two-part strategy implemented by the central bank. A sharp cut in loans to firms drove many to curtail wages and reduce production. At the same time, interest rates for savings accounts were raised above 10 percent and fixed term deposits of three years earned 13 percent, with a guarantee that the rate would be adjusted to keep the return on deposits ahead of inflation. The higher rates elicited an unprecedented wave of deposits that increased total national bank savings by over 134 billion yuan (\$36 billion)—an average of 120 yuan (\$32) per person. In 1990 banking authorities sought to revive the economy they had cooled off, reversing the tight loan policy and reducing interest rates, but savings continued to rise, bringing total savings for the country to over 1 trillion yuan (\$189 billion) by May 1992. Clearly the control of inflation has been brought about by the frugality of Chinese families, encouraged by positive real interest rates.

With inflation tamed, the economic problem that has been receiving the most attention in the Chinese press and that appears to present the most immediate threat to economic stability is the continuing losses of many state-owned enterprises. Economists estimate that 36 percent of all state firms lost money last year, and subsidies to cover the deficits made up 13 percent of all government expenditures. The issue is complicated, however, because the contributions of state firms to China's economy are enormous. While relatively few in number—about 105,000, compared to approximately 18 million rural enterprises—state firms are the most important source of jobs outside agriculture. In 1991 they employed 106 million workers, who constituted 18 percent of the total labor force and 70 percent of the urban pool.

Despite their inefficiency, state firms achieve higher labor productivity than those in other sectors because they use more machinery than private or collective firms. In 1990 state firms owned more than 65 percent of the nation's fixed capital assets, produced 55 percent of the gross value of industrial output, accounted for over 80 percent of total transportation volume (railways and large shipping firms are state-owned), and contributed more than 60 percent of state revenues.

The basic difficulty with state firms is that when they lose money, the government simply allocates more funds to them, whether or not the causes of the losses have been corrected. In theory, this problem of the "soft budget constraint" was addressed in the mid-1980s, when state firms were removed from the

government budget and required to obtain funds in the form of interest-bearing loans from the banking system. In practice, state firms that do not cover their costs do not repay their loans, and banks are pushed, particularly by local governments, to extend new loans, regardless of a firm's creditworthiness. In addition to persistent losses, the soft budget constraint encourages excessive investment spending by state firms and the awarding of pay increases to employees greater than advances in productivity, both of which were widely seen in 1991. The situation creates serious inflationary pressure, since workers are paid money that is not matched by the production of goods.

A vigorous public debate began in the Chinese press last year on reforming inefficient state firms. Some economists and officials advocated a fundamental change of ownership that would directly link compensation to an enterprise's performance: privatization, or more commonly, a shareholding system. On the other side were those who called for improving enterprise efficiency without basic changes in the ownership form. Prime Minister Li Peng took the latter position in his annual address to the National People's Congress on March 20, 1992. He called for the "revitalization" of state-owned enterprises through reduced government interference, greater involvement with market forces, improved management practices, and investment in more efficient technology—all approaches that had been tried in the past.

In May 1992, data published by the State Statistical Bureau indicated an ominous trend toward an overheating of the economy and a continuation or worsening of the inefficiencies of state enterprises. At the end of April overall industrial output stood 18 percent higher than for the same period in 1991 and state industry losses were up 8 percent, while investment in fixed assets by state firms had increased by more than 38 percent, a far cry from the government's target of 8 percent growth for the year. In addition—and undoubtedly as a result—the cost of living in the country's largest cities was reported to be 14 percent higher than in the previous year. Faced with this information, and under the influence of the outpouring of support for more rapid adoption of market approaches elicited by Deng's statements in Guangdong, the State Council in late May cautiously approved the use of shareholding systems in state enterprises. Most Chinese economists regard this as a step in the right direction, but it is not at all certain that its effects will be felt in time to prevent a new round of double-digit inflation in 1992.

UNFINISHED BUSINESS AND THE FUTURE

Several economic issues remain unresolved. The construction of a huge dam in the Three Gorges section of the upper Yangtze River was approved by the Congress on April 3 in an unusually divided vote: 1,767 in favor, 177 against, and 664 abstaining. That

nearly one-third of the delegates did not vote for the proposal reflects the deep differences of opinion among Chinese intellectuals and officials about the wisdom of the project. First proposed by Sun Yat-sen in 1919, the Three Gorges dam would generate electricity, increase the capacity of the river to handle shipping up to the city of Chongqing, and improve flood protection for the middle and lower Yangtze Valley—a concern that became paramount during the 1991 floods. Opponents contend that the benefits will be outweighed by the costs and that the dam could become an ecological disaster, triggering an earthquake or altering the environment both upstream and downstream. Financial costs, including the relocation of people living in the area to be flooded by the dam, are currently estimated by the State Planning Commission at 57 billion yuan (\$11 billion) over a construction period of about 15 years. Preparatory studies are to be continued, and no date has yet been set for the groundbreaking.

On the housing front, efforts to remedy the shortages, poor condition, and inflexibilities of China's urban housing supply have been under way in scattered locations for several years. Last year the State Council decided that the high levels of private savings presented an opportunity to accelerate the conversion of heavily subsidized apartments to partial or full ownership by the occupants, or for setting rental rates that reflected full market value. In March 1991 plans were announced to triple the amount spent on construction of commercial apartments. Last May, Shanghai instituted a program under which all workers contribute a percentage of their incomes to a public housing fund, and on the first day of 1992 Tianjin began gradually converting apartments into "commodity dwellings." The Industrial and Commercial Bank of China and the People's Construction Bank of China

both announced last year that they would make large sums available to individuals for housing loans, and in April the People's Construction Bank said it would institute a mortgage banking system in Guangdong province.

Price reform has begun in China, but much remains to be done. In addition to the well-publicized hike in grain and vegetable oil prices, far-reaching changes in the pricing of industrial inputs began under the leadership of the Ministry of Materials and Equipment. In December 1990 the minister, Liu Suinian, announced that during 1991 his agency would convert itself from the official distributor of supplies for state-owned industries into a market broker. Liu attacked the notoriously irrational state and market pricing system for raw materials and equipment by unifying the prices of some goods, including cement and other building materials, and removing state controls from other goods. The effort continues in 1992, with timber and coal prices to be unified.

While China appears far more stable than it did only a year ago, the question of when Deng Xiaoping will die, who will succeed him, and how, and what this will mean for economic policy remains the central mystery of the country's immediate future. Strong leadership is needed to resolve the economy's most intractable problems, particularly inflation and management of the state firms, but a peaceful succession by almost any credible individual or coalition would probably have little impact on economic progress, which has been recently achieved primarily through long-term evolutionary change based on the fundamental policies of the reform era. If, on the other hand, Deng's death is followed by a violent power struggle or by widespread civil disturbances, the conditions necessary for economic progress could quickly disappear. ■

"[China's] efforts to make villages self-governing and more democratic, whatever their limitations, have found fertile ground and have taken root in small patches of the countryside. Peasants, unlike their urban counterparts, have become property holders and taxpayers with a vested interest in how village affairs are conducted. In time, they may teach the urban populace a thing or two about the development of democratic institutions."

Reforming the Countryside

BY TYRENE WHITE

During the 1980s, a series of dramatic economic reforms transformed the face of rural China. Collective farming was replaced by a system of household contracting that allowed peasants to benefit directly from their agricultural labors. The government increased prices for grain and other agricultural products, and it guaranteed purchase prices in advance of the harvest. With the exception of grain and a few other commodities, obligatory sales to the state were abolished, and rural free markets were reopened to absorb excess production. Household land contracts were eventually made hereditary to stimulate investment in the long-term productivity of the land. Private entrepreneurship was encouraged, and business operators were allowed to hire laborers. To spur the development of rural industries, the state offered township and village governments tax breaks and other incentives. And peasants in the vast pool of surplus rural labor were allowed to search for greener pastures outside the village.

As a result of these and other reforms, China's rural economy took off during the 1980s. Between 1978 and 1990 agricultural output value increased an average of 6 percent annually. Even more impressive was the growth of rural industry. The output value of township and village enterprises grew nearly 27 percent a year between 1978 and 1990, and by 1990 comprised 55 percent of total rural output value. Whereas rural industry provided work for only 9 percent of the rural labor force in 1978, by 1990 it employed 22 percent. During this period rural incomes rose from 133 yuan

to 629 yuan per capita. A large proportion of disposable household income went for new housing; housing space per person doubled, and by the end of the 1980s two- and three-story family homes were the rule rather than the exception in more prosperous villages.

But these extraordinary achievements tell only part of the rural reform story. The other, less savory portion includes rampant corruption by rural officials and outbreaks of violence between party cadres and peasants; the breakdown of Communist party organs and party life is also part of the changes. Over the past several years this darker side of rural life has become an obsession with China's conservative leaders, who as heirs to Mao Zedong's rural revolution see their fate as intimately entwined with political stability in the countryside. The pro-democracy demonstrations of 1989, which broke out largely in urban areas, made the quest for rural stability and prosperity even more urgent for them.

In 1990 conservatives pushed for a restabilization of China's grass-roots organs of political power, with the objective of strengthening party branches, rural leadership discipline, and relations between the party and the masses. They advocated an old-fashioned approach: a socialist education campaign and a firming up of the unified leadership of the party at the grass-roots level. Reformers argued that such methods were unworkable in the changed climate of rural China. They advocated new paths to stability that would take account of altered power relations between cadres and peasants, allowing for more autonomy, democracy, and accountability in the village. Reformers insist that such steps are consistent with maintaining the leading role of the Chinese Communist party. Conservatives suspect that the reformers' agenda is ultimately subversive of party rule, another step on the road to "peaceful evolution." But everyone agrees on the pressing need for institutions that can ameliorate

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the worst tensions of rural life, tensions that are a direct byproduct of the economic reforms.

CHANGING THE CLIMATE

The rural economic reforms introduced in the first half of the 1980s had a striking impact on rural life. They spurred economic growth that eventually benefited the vast majority of peasants and shifted the balance of power between cadres and peasants. Not all peasants became rich or even comfortable under the reforms, but by the early 1990s the majority had improved their economic lot and had become much less dependent on the collective for survival. Under the commune system of the Maoist era, cadres had exercised absolute power over peasant laborers by controlling the work agenda, assignment of tasks, and distribution of collective income (if there was any income). The reforms transformed peasants into semi-private farmers whose entire income no longer passed through the hands of cadre middlemen.

Economic pressure to streamline administration, reduce personnel, and increase cadre accountability led to political reforms as well. The three-tiered system of commune administration, with its commune, brigade, and team levels, was abolished. The commune level was replaced by town and township governments. Brigades were converted into autonomous villages and team-level political organization was effectively eliminated. In the short run these reforms had the effect of reducing the overall number of grass-roots cadres, but as the rural economy built up steam, local leaders used profits from economic ventures to hire additional personnel. The net result was a swelling of the rural bureaucracy in the 1980s.

Before the reforms village leaders were likely to stay in power for a decade or more. During the 1980s, the older generation was largely replaced by younger cadres who had to stand for popular election every three years. Although elections remain a formality in many areas, the necessity of going through the process regularly (and the fear of losing face because of a poor showing) has led cadres to concern themselves more with public relations. Moreover, since they and their families will continue to live and work in the village after their term is up, cadres are extremely reluctant to make enemies while in office; today's enemy could be tomorrow's cadre (or a relative of tomorrow's cadre), and one with an old score to settle could make life very uncomfortable. The resurgence of clan activity in the countryside has exacerbated the situation. In some areas clans compete with party and government organs for dominance in the village, or conflicts between clans have translated into struggles over who will fill the posts of village party secretary and village leader.

The party's loss of monopolistic economic control has led to an erosion of party organs in the countryside. Township party leaders do not exercise the control over

village party branches like they once did, and even village party secretaries, traditionally the most powerful leaders in the village, have become vulnerable. Since the early 1980s village party secretaries have been elected by the local party membership. In some places this is purely pro forma, with township party leaders nominating one candidate, whom village party members accept in formal balloting; in other places, however, township committees submit two or three nominations, leaving it to villagers to make the final choice. And merely winning an election is no guarantee of a smooth term in office. Party members who dislike a secretary can paralyze branch activity by registering complaints about him or her with township party officials.

In another consequence of the economic reforms, village cadres became part-time cadres and part-time producers. Collectively owned land was distributed to them to cultivate, just as it was to other villagers; they were also urged to develop collective enterprises and reinvest the profits for the benefit of the village. Although many cadres subsequently profited at the expense of the village, skimming off money and engaging in other corrupt activities, the reforms helped align cadres' interests with those of their fellow villagers, creating solidarity against the intrusions and demands of township or county governments.

TENSION IN THE COUNTRYSIDE

Despite increased solidarity on some issues, cadre-peasant relations in the villages remained extremely tense during the latter half of the 1980s. Village-level cadres have always worn two hats in the Chinese administrative hierarchy, serving both as agents of the state and as representatives of their native villages—a duality that served the party well during the Maoist era. But the reforms of the 1980s have made filling this dual role much more difficult. Peasants have been emboldened to defy village cadres' attempts to carry out unpopular state directives on enforcing childbearing limits and collecting grain and taxes. Unlike under the commune system, cadres must now extract grain and money held by individual households that are able to calculate just what portion of their annual labors the state is taking. Getting individual households to turn over income or crops is far more difficult than claiming them before they are earned or harvested, and often provokes a direct confrontation. Pressured from above to fulfill their quotas and threatened from below by angry peasants, village cadres are placed in an untenable position; the Chinese press has reported acts of retaliation against them including the destruction of their homes and crops, poisoning of livestock, assault, and murder.

Peasant anger results from more than their newfound ability to calculate the extent of the state's exactions. First, after 1985 peasants began to complain

about the deterioration of the terms of trade for agricultural production (especially grain production). Inflation and corruption sharply increased the cost of diesel oil, fertilizer, and other necessary inputs. Corruption in the distribution system particularly incensed villagers. Cadres with access to rationed goods siphoned them out of the state-run distribution network, hoarding them for sale at prices far above the state-controlled ones. In some areas promised supplies never arrived at state retail outlets, or supplies that did get there were sold at prices higher than those set by the state. Any shortfall in supply had to be made up on the free market, where costs could be exorbitant. Even without these problems, inflated prices on the input side pressed up against state purchase prices for grain, reinforcing peasant resentment over their obligation to deliver grain to the state. During the latter half of the 1980s real income growth slowed dramatically. In 1989 peasants suffered a net loss of income in real terms, and 1990 incomes increased only 1.8 percent.

Another issue provoking widespread discontent among villagers has been the increase in “peasant burdens,” or the sum of all taxes, levies, and labor obligations owed to village and township governments. Throughout the 1980s directives from Beijing sought to regulate the kind and amount of taxes local governments or government agencies could levy on the peasantry, insisting that the total burden not exceed 5 percent of net income per capita. Despite these efforts “peasant burdens” averaged at least 11 percent of net income as the government tried to cover project costs or make profits on the backs of the peasants. County or township governments would simply order village leaders to assess new taxes to pay for education, road building, or other less worthy causes—obligations not included in the annual production contract that peasants sign.

Enforcement of rural production contracts has caused tensions to rise. During the 1980s attempts were made to develop a legal and judicial system that could settle conflicts over contract obligations and property rights. One measure of the success of this effort has been that peasants have increasingly turned to the system to protest what they see as violations of the terms of their contracts. Resorting to court adjudication, however, is no guarantee of justice, nor have demands from Beijing that cadres treat contracts as binding alleviated the problem. Cadres operating within the fluid boundaries of the political and legal systems have routinely overridden or ignored contract provisions in order to confiscate land, businesses, or other assets. Courts simply refuse to hear some cases on the grounds that there is no law on which to base a ruling.

The rising incidence of crime has also fostered discontent. By the late 1980s the growth of crime in rural areas, which exceeded that in the cities, had far outpaced the capacity of local public security person-

nel. In addition to an increase in individual cases of robbery, theft, assault, rape, and murder, criminal rings had begun to flourish. Violent clashes between clans also became a major problem by the end of the decade, as did gambling in all forms. Most distressing was the dramatic increase in the abduction and selling of women and young girls, some sold into prostitution, others sold to peasants for wives. In one case kidnappers who found no market for their victims raped them, bound them, and lowered them into a well to drown.

A final cause of cadre-peasant tension has been the continued use of coercion to implement party policies. One goal of the political reforms of the 1980s was to scale back the arbitrary power of local officials. The rule of law was once again stressed, and superiors warned cadres not to use “commandism and coercion” in carrying out their state-assigned tasks. But some state policies—most notably the family planning program—can be implemented only by resorting to unlawful, coercive measures, at least on some occasions. Village officials complain that they are caught in a no-win situation; if they fail to carry out the policies they will be penalized for “backwardness,” but if they use coercion they can be charged with violating the law. Faced with this dilemma, and the unpopularity of their job, they have sometimes sought ways to skirt the problem. Rather than enforce birth quotas, for example—which occasionally provokes a bloody retaliation by the targeted family—some cadres simply report false statistics. Only when township officials organize campaigns and come into the villages to enforce quotas do village cadres finally comply.

BUILDING STABILITY FROM THE GRASS ROOTS UP

Rural political tensions in China peaked between 1987 and 1989, causing great concern in the leadership. One response was to try to sort out the increasingly confusing relationship between townships (the lowest level of formal government administration) and villages. A law on village-level organization was promulgated to 1) prescribe a set of political institutions that would stabilize cadre-peasant relations and form the basis for self-government within an “autonomous” village; 2) define the scope of township authority over the village; and 3) outline the duties and responsibilities of village cadres and peasants in implementing state policies and complying with township directives.

The bill was controversial for several reasons. First and foremost, county and township cadres feared that if villages became autonomous, village cadres would disregard their instructions. They claimed the bill would “cut off their legs,” leaving them without grass-roots troops to carry out basic policies. Advocates thought precisely the opposite—that the bill did not go far enough in empowering village cadres against the

encroachments of township officials. They wanted to add a provision stipulating the right of village cadres to turn down any assignment not covered by the bill; opponents wanted to strengthen the wording obliging cadres to follow orders. In the debate over the language of the bill, opponents preferred to have townships described as providing *lingdao guanxi* (leadership) to villages, while advocates favored the term *zhidao guanxi* (guidance, implying consultation and cooperation but no direct supervision).

Also causing concern was the provision for villagers councils and the election of village officials. Advocates argued that the best way to stabilize the situation at the grass roots was to create institutions that would hold cadres directly accountable to the peasantry for their behavior in office. To achieve accountability, they called for the formation of villagers councils (comprised of all adult villagers or a representative from each household), villagers representative committees (made up of one popularly elected representative for every ten or so households), and villagers committees (three to seven popularly elected leaders). Officials on the villagers committees would report to the villagers council or representative committee once or twice a year, giving a full accounting of village funds and the conduct of all public affairs. Opponents saw the proposed bodies as threats to the leading role of the party, and feared that cadres held accountable to fellow villagers would be loathe to carry out unpopular directives.

After several rounds of heated debate in 1986 and 1987, a version of the law, called the Organic Law of Villagers Committees, was adopted by the National People's Congress (NPC) in 1987 and implemented on a trial basis starting in June 1988. By the spring of 1989, however, when pro-democracy demonstrations began in Beijing, little progress had been made in its implementation. After the June 4 crackdown at Tiananmen Square, political stability, particularly in rural China, became a crucial issue for the aging leftists who backed paramount leader Deng Xiaoping's suppression of the democracy movement; the conservatives were divided, however, on how best to achieve their goal.

One approach was to launch a socialist education campaign to eliminate bourgeois tendencies and shore up party discipline. Reviving memories of a similar campaign in the early 1960s that served as a prelude to the Cultural Revolution, this idea was widely supported by leftists but was received tepidly at best in many areas of the countryside. In some places villagers met campaign work teams on the village outskirts and refused them entry. In others, a lack of enthusiasm among provincial and county leaders translated into weak implementation at the grass roots. The most common stratagem appears to have been to carry out the campaign but shift the content of "socialist education" away from ideological concerns and toward

practical economic issues, thus blunting the original intent. This tactic became increasingly popular in late 1991 and early 1992 as reformers appeared to be regaining the upper hand.

A second approach to the problem of the party's relationship with the rural masses—pursuit of the agenda set by the Organic Law of Villagers Committees—was vigorously opposed after Tiananmen by conservatives intent on rebuilding a strong party organization. Paradoxically, their efforts to kill the trial law were blocked by fellow conservative Peng Zhen, who as head of the NPC's Legal Affairs Committee in the mid-1980s had helped get the law approved. When he heard that pressure was building to rescind it, Peng summoned opponents to his home to change their minds. He pressed hard for retaining the law and complained as well about the foot-dragging on implementation.

Apparently Peng's conservative credentials were sufficient to save the law and the institutional innovations it implied. By December 1990 the Central Committee had issued the law as a directive—thus ending debate on its future—and by mid-1991 it was being widely implemented throughout rural China as officials began to speak openly not just about village-level autonomy but also about grass-roots democratization.

As of mid-1992 the concept of grass-roots democracy is being put into practice in three basic ways: village officials are to be elected by popular vote, not appointed; they are to be held accountable to villagers councils, particularly with respect to the spending of village funds; and villagers are to develop their own "village compacts," or regulations covering all aspects of village life and local rules for implementing state policies (family planning, for instance). None of these changes has been easy to implement, however, and the tension between the law's mandate and a simultaneous mandate to place the party branch at the core of village life has yet to be resolved.

For example, procedures for the election of village leaders vary widely from place to place. Competitive multicandidate elections are held in Liaoning province and a few other scattered localities, while in other regions voting is entirely pro forma and the number of candidates does not exceed the number of posts. Many villages fall between these two extremes, some holding competitive elections for a village leader but not for other positions, others nominating a single slate in which the number of candidates exceeds the number of elective posts by one or two. In some places the party branch secretary is allowed to stand for village leader; in others, party branch cadres are excluded from elections.

Despite these predictable problems, cadres and peasants in some areas have become enthusiastic about the new participatory politics. Cadres point out that they can accomplish their tasks with much less diffi-

culty if they can build a consensus in the villagers council or the villagers representative committee. Villagers are pleased they have a vehicle for lodging complaints and, more important, a means of monitoring how their taxes and other village income are spent. The expectation of triennial elections is also being established; some localities have already gone through two rounds of elections (1987 and 1990), while others will hold a second round next year. And even if the balloting offers very little choice, the presumption that village leaders must stand for election will over time surely affect the dynamics between officials and their constituents.

None of this is to say that a democratic breakthrough is occurring in rural China. It does appear that efforts by conservatives to turn back the clock have failed. And although the party remains at the core of rural organization, what that means for rural life and the distribution of power is no longer entirely clear. What is clear is that the old formula of party rule failed to keep pace with rural change in the 1980s, while the efforts to make villages self-governing and more democratic, whatever their limitations, have found fertile ground and have taken root in small patches of the countryside. Peasants, unlike their urban counterparts, have become property holders and taxpayers with a vested interest in how village affairs are conducted. In time, they may teach the urban populace a thing or two about the development of democratic institutions.

THE OUTLOOK FOR THE 1990S

Despite current efforts to develop consultative procedures for smoothing cadre-peasant relations, the issues that provoked the most anger during the 1980s are still on the agenda. Grain production in 1991 reached an

all-time high, but the deteriorating terms of trade for peasants have forced the state to increase the agricultural purchase prices for 1992 and consider additional reform of the quota system. Concerning "peasant burdens," Beijing in 1991 issued yet another set of regulations intended to curb them, but there is no reason to assume that these will be any more effective than previous ones.

Maintaining the integrity of legal contracts has grown no easier; on the contrary, new central pressures to "collectivize" enterprises that were formerly incorporated as private or cooperative have placed strains on the contract system and reinforced peasants' impressions that contractual relations and property rights are tenuous. Crime remains a serious problem in the countryside, and as with other government investments that do not generate direct, immediate profits, township officials are reluctant to pay for more security personnel. One-third of all rural townships do not have a police substation. And after turning in a poor family-planning performance between 1986 and 1990, the government announced a renewal of the campaign for the eighth five-year plan (1991–1995), a commitment that raises the specter of continued cadre-peasant confrontation.

In the short run, and perhaps in the long run, China's leaders cannot hope to resolve these problems to the complete satisfaction of the peasantry. But they can work toward partial solutions that alleviate the worst tensions of rural life and promote rural stability. The most direct path to that end, however, is not the pursuit of political education campaigns. It is the ensurance of several years of renewed rural investment that translates into real income growth and greater prosperity. By mid-1992, it appeared that China's rural policy was headed in precisely that direction. ■

In 1990 Mongolia became the first Asian nation to renounce communism. The free elections that year were followed by a stringent economic reform program that has left Mongolians unenthusiastic about the workings of democracy. Still, the new sense of nationhood has given the Mongols a "dramatic affirmation of their ethnic identity."

Mongolia: A New Opening?

BY MORRIS ROSSABI

The dramatic changes in what was the Soviet Union have had remarkable repercussions in Mongolia, which was until only recently considered a Soviet satellite. At the same time that perestroika and glasnost seemed to be the key words in the Soviet lexicon, Mongolia's rulers embarked on the road to a market economy and a multiparty political system. The pace of transformation in Mongolia has been rapid, though the elections in June 1992 indicate some disillusionment with the multiparty system. The overwhelming victory of the formerly Communist Mongolian People's Revolutionary Party (MPRP) was due, in part, to the economic chaos enveloping the country, which many Mongols attribute to the market economy and democracy.

MONGOLIA UNDER TWO MASTERS

Location and environment have shaped the destiny of the Mongols. In traditional times the abundant grasslands of their homeland north of central China provided grazing for animals, but only a fragile subsistence for a mainly pastoral people. Natural disasters and other crises forced the Mongols to rely on trade, principally with China. When China tried to limit such commerce, the Mongols attacked Chinese border settlements to obtain the products they needed. In the seventeenth century a new force arose in East Asia: czarist Russia. The expansionist policies of both Russia and China soon led to the encirclement of the Mongols by two great empires, and both powers have since then vied for control of or at least influence over the Mongols.

It was China, however, that dominated the Mongols until the collapse of the Chinese imperial system in 1911. After that, several Mongol nobles sought Russian

aid in achieving independence, but the hesitancy of czarist authorities to endorse a sovereign Mongolia and the Bolshevik Revolution of 1917 disrupted such efforts. From 1911 to 1921 Chinese militarists, czarist officials, brutal Mongol princes, an insane White Russian leader, and Bolsheviks competed for power in Mongolia.

With support from the Soviet Union, a group of radical nationalists emerged victorious in 1921, and by 1924 had proclaimed the Mongolian People's Republic (MPR), drafted a constitution that mandated a government similar to the one in the Soviet Union, changed the name of the capital from Urga to Ulan Bator ("Red Hero"), and avoided locating a new Living Buddha after the death of the eighth incarnation. The first Mongol nation-state was thus founded. Yet many Mongols were not under its jurisdiction. Kalmyk Mongols, Buryat Mongols, and the Mongols of Tannu Tuva lived in the Soviet Union, while the Mongols of Inner Mongolia and small Mongol contingents in Xinjiang and Manchuria remained under Chinese control.

The policies pursued in the Mongolian People's Republic from 1924 through the 1980s closely paralleled those of the Soviet Union. The Communist MPRP—the only legal political party—dominated the Mongolian state and society. The government fostered agriculture and industrialization. It persuaded or forced herdsmen into collectives and urged or compelled them to limit their migrations, build permanent shelters, and provide hay for their animals in winter. It also imposed confiscatory taxes on the princes and so-called feudal lords and encouraged attacks on lamaseries. These actions gave rise to resistance from herders, nobles, and lamas, which the Mongolian government suppressed brutally.

The government replaced lamaseries as the principal institution for educating the young, substituting a secular and often anticlerical curriculum for traditional Buddhist teaching. It also made education compulsory for all, even founding boarding schools for the children

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of pastoral nomads; one measure of the success of this program is the reputed 90 percent literacy rate of the current population. Under Soviet pressure the Mongol government substituted the Cyrillic alphabet for the ancient Uyghur script, a policy that would eventually leave Mongols of the MPR unable to decipher their traditional texts and distance them from Mongols in Inner Mongolia and China who continued to use the old writing system. The Soviet Union also dominated the Mongolian economy, replacing China as Mongolia's major supplier of goods such as machinery, chemicals, and building materials. The Mongolians imported more than they exported, forcing the government to obtain loans and economic aid from its principal commercial partner.

China offered the only serious challenge to the close, even suffocating bonds between the MPR and the Soviet Union. In 1952 China signed the first of a series of economic agreements with Mongolia under which it sent laborers to the MPR, which suffered from a shortage of workers for its construction and industrialization projects; China also provided capital for the projects. Trade between the two countries flourished, and for a time China appeared to have an opportunity to bolster its economic ties to the MPR—to the detriment of the Soviet Union, of course. The Sino-Soviet conflict dashed Chinese hopes in this regard when Yumjaagiyn Tsedenbal, the pro-Soviet Mongol head of state, severed relations with China in 1964, forcing the withdrawal of Chinese laborers and assistance. He thus confirmed the Soviet Union's preeminent position in the Mongolian economy.

The changes in the Soviet Union that led to its dissolution in 1991 were traumatic for many Mongols. The Soviet Union had been the major influence on Mongolia during the entire lifetime of most of the country's leadership and had shaped its political, economic, and social aspirations and had often been its financial patron. Yet the apparent and perhaps catastrophic disruption of relations offers opportunities for the Mongols to regain control of their land and to reassert their ethnic heritage.

REFORM AND DISUNITY

The loosening of Soviet control began earlier than the dismemberment of the Soviet Union. The first evidence of it was the involuntary resignation of Tsedenbal as head of state in 1984; Tsedenbal, whose imperious Russian wife had alienated many Mongols, was replaced while he was on a trip to the Soviet Union. In 1987 a more reform-minded Mongol leadership under President Jambyn Batmonkh confirmed its adherence to *il tod* (glasnost), though many other advocates of reform were dissatisfied with the slow pace of change. On December 10, 1989—International Human Rights Day—students and intellectuals in the illegal fledgling Mongolian Democratic Association

organized a demonstration in Ulan Bator demanding more democratic government and a greater respect for human rights. The negative example of the Tiananmen Square massacre in Beijing in June did not faze the mostly youthful demonstrators. The government did not suppress or disperse the crowd, and it even permitted the demonstrators access to television and the rest of the mass media.

This demonstration, as well as hunger strikes and other antigovernment actions, resulted in what appeared to be extraordinary changes in March 1990. At a congress of the MPRP, President Batmonkh was dismissed from the party Politburo. The party also expelled Tsedenbal, the undisputed ruler of Mongolia for more than three decades, accusing him of gross misrule and blaming him for economic stagnation and for the purges in which many people had died.

The party sought scapegoats from previous regimes for current problems, yet it also needed to point to the future and promise reform. The first step was a call for elections in which more than one candidate would compete and other political parties could for the first time participate. The party also pledged to promote democracy and pay greater attention to human rights. To show its seriousness, it selected a new Central Committee that appeared to be committed to political reform and was not associated with discredited past policies.

From March 1990 through the elections for a new government that July, the MPRP positioned itself as a party not only eager for democracy but ready to purge itself of corrupt and totalitarian elements. In March, Punsalmaagiyn Ochirbat, the 47-year-old minister of foreign economic relations and supply, was chosen to replace Batmonkh as president. The relatively unknown Ochirbat wasted no time in expressing his strong sympathy with the reforms. He asserted that the party must abandon dictatorial control over trade unions, art, and religion and support a market economy. Yet he did not diverge completely from traditional Marxist ideology and practice. For example, he was against unchecked capitalist development, demanding curbs on a market economy; he insisted, moreover, that the party control the army and police and that Mongolia retain links with the Soviet Union.

Ochirbat's strategy of reconciling the interests of reformers and those of the party's left wing while fostering the fragmentation of other parties was resoundingly successful. In July 1990, in the first free elections in Mongolian history, the MPRP gained control of the legislature—the Great Hural—capturing 357 of 430 seats. Moreover, Ochirbat and his party cleverly muted potential critics by offering two cabinet posts to the leaders of the other political parties.

Like the Mongol khans from the late thirteenth century on, contemporary Mongols have been unable to coalesce around a group of leaders and jointly tackle

the country's political and economic modernization. The proliferation of political parties is cause for concern. Though evidence of a freer political atmosphere, it also may obstruct the operation of government and prevent the development of an effective opposition to the MPRP. By early 1992 at least eight political parties had been organized, and others seemed likely to emerge. Late the previous year, a faction in the principal opposition group, the Mongolian Democratic party, had broken away to form the Republican party. Neither the Mongolian Democratic party nor the Social Democratic party, which held the MPRP responsible for the country's economic stagnation and its dependence on the Soviet Union, could achieve the unanimity required to challenge the ruling party. Dissenters in the MPRP, disenchanted with the leadership, organized their own political party, the Mongolian Party for National Renaissance.

The disarray among political parties has given rise to a fiercely nationalist movement known as the Group of 281. A poet named Dashbalbars, the most celebrated of its leaders, has criticized many of the parties for precipitously opting for a Western-style market economy and Western-style political system. According to Dashbalbars, these would be no different from the Soviet-style system imposed on Mongolia, since both ignore or subvert the virtues and glories of Mongol culture. Dashbalbars proposes instead a reaffirmation of traditional Mongol values and—perhaps only half seriously—suggests a return to nomadic pastoralism, with efforts to encourage urban Mongolians to move to the steppelands. It is difficult to determine how much appeal this romantic and ultranationalistic vision has for ordinary Mongols, yet in a time when Chinggis Khan has reemerged as a national hero it would be foolhardy to underestimate the potential of this political movement.

A NEW CONSTITUTION IN ACTION

Despite the confusion on the political scene, Mongolians managed to perform the vital task of drafting a new constitution. In January 1991 a Small Hural composed of 50 members set to work on a constitution embodying democratic principles. The group immediately issued a directive that "banned political parties from operating in government organs and required all government officers, including the president and vice-president, to drop their party affiliation."¹

Despite a barrage of criticism, by fall the Small Hural had produced a draft of a Yasa, or constitution.² It then convened a conference of 30 foreign experts, including representatives from Amnesty International, to discuss the draft. At year's end it submitted the document to the Great Hural, and on January 13, 1992, the larger body, after numerous disputes that threatened to erupt into fistcuffs, approved the constitution.

This constitution, consisting of 70 articles, resembles in some sections the constitutions of the Western democracies. It starts with a ringing affirmation of human rights, including the rights of freedom of speech, religion, travel, and political participation. Unlike the United States Constitution, it lists individual rights that emphasize the social welfare obligations of the state, with guarantees of education, medical care, employment, a pension, and a clean environment for all citizens. Accommodating the new free market emphasis, it affirms the right to own property, except in the pasturelands, which are reserved for the public's use.

The constitution also delineates a new structure for government. First, the name of the country is to be "Mongolia" rather than the "Mongolian People's Republic"—deemed to be too closely linked with the Soviet era—and the flag is to be shorn of the Communist star. Second, the legislative body, the Great Hural, is reduced from 430 seats to 76, and members are to be popularly elected for a term of four years. After legislative elections, each political party represented in the Great Hural is to nominate a candidate for president, and the candidate winning a majority of votes in a popular election will be ratified as president.

The constitution appears to offer a model for a democratic government; but implementation is far from certain. Will lack of cohesion among the Mongols impede efforts to establish such a government? Will the Mongol tradition of irregular transfers of power subvert elections for the Great Hural and the presidency? The policies and activities of the MPRP will prove crucial in the answers to these questions. In late June 1992, the MPRP won at least 71 of the 76 seats in the newly constituted Great Hural. Leaders of the other parties attributed their defeat to the tremendous advantage in resources the MPRP enjoyed. The question is, will the MPRP, which has a membership of about 100,000, be willing to share power with the smaller political parties? The party's attempt to cultivate a more moderate image is a hopeful sign. In late 1991 a party spokesman asserted at a press conference that the MPRP "has never been and is not a Communist party," and declared, "We are a left-wing party relying on socialist ideas."

ECONOMIC DISASTERS, UNTAPPED WEALTH

The general public appears more interested in economic issues than in the rapidly changing political

¹William R. Heaton, "Mongolia in 1991: The Uneasy Transition," *Asian Survey*, January 1992, p. 50.

²The Yasa harkens back to the thirteenth century legal code reputedly devised by Chinggis; the Hural to the Khuriltai, the Mongol assemblage of nobles in the same century. I am grateful to the Honorable Luvsangün Erdenechuluun, the permanent representative of the Republic of Mongolia to the United Nations, for a copy of the new constitution.

structure. Mismanagement, inadequate investment, corruption, political turbulence, and emphasis on political over economic priorities left Mongolia with an annual per capita gross national product of \$100 in 1991. The dismemberment of the Soviet Union has been especially devastating for Mongolia's economy. For more than 70 years the Soviet Union offered substantial aid, providing about half the gross national product. Since 90 percent of Mongolian industry was dependent on Soviet aid and technology, the Soviet Union's collapse has severely disrupted production and has led to shortages of spare parts, fuel, and raw materials. The Mongolian government, faced with paying back the \$16.2 billion it owed the Soviet Union, has tried to devise a less onerous repayment schedule and has even suggested outright forgiveness of the debt, justifying such cancellation by pointing to what it perceives as Russia's long exploitation of Mongolia.

The economic troubles in the Soviet Union in 1990 and 1991 were mirrored in Mongolia, which suffered at least a 16 percent contraction of the economy in 1991. Fuel shortages idled many plants and factories. (When the government sought emergency supplies of oil from China, Beijing demanded 20 percent above market price, and no agreement was reached.) The plant closings led to serious unemployment: the number of jobless Mongolians increased from 31,000 in February 1991 to 80,000, or 10 percent of the labor force, by September. The decline in production led to a sharp drop in trade, yet the trade deficit reached \$40 million, and the government's hard currency reserves dwindled to \$20 million. In 1991 inflation rose dramatically, at a rate estimated at between 46 percent and close to 100 percent. By June the government was compelled to devalue the *tögrig* from 7 to the United States dollar to 40 to the dollar. Even this was unrealistic, because the black market rate had reached 170 to the dollar. Since 80 percent of consumer goods are imported, shortages of hard currency resulted in empty shelves in the few retail stores; even the Big Shop, the major department store in Ulan Bator, had few items for sale.

By January 1992 sugar and butter were unavailable; supplies of milk were perilously low; production of potatoes and grain declined because fuel shortages idled farm equipment; and some bakeries had ceased operating because they had no yeast. Meat was rationed in the cities—a devastating indictment of government management of the economy in a country where there are 13 million sheep, and 12.5 livestock animals for every one of Mongolia's 2.1 million people. Some shortages resulted from corruption, inadequate distribution facilities, private hoarding, and poor transport (only three percent of the country's roads are paved, and rail and air facilities are poor). Inadequate food and medical supplies have led to a crisis in health

care, with the infant mortality rate and child malnutrition running high.

Lack of funds has hampered government efforts to cope with the economic crisis. Last spring the government began to privatize state-owned assets and enterprises, issuing "small vouchers" for the purchase of tangible goods and "big vouchers" for the purchase of shares in large enterprises, the shares becoming the foundation for the creation of a stock exchange. The state controls the military, transportation, energy, banking, telecommunications, and medical care, though privatization is to be pursued in these areas as well (for example, a new oil company has replaced a government ministry in exploring for oil on the fringes of the Gobi Desert). Yet both the MPRP and advocates of a market economy have been accused of corruption and mismanagement in these new economic initiatives, while reformist directors of the State Bank and the Bank of Trade and Development inexplicably lost or mislaid \$82 million of the state's scarce currency reserves.

In rural areas, the government's attempts to promote privatization and abolish pastoral communes (*negdel*) have met with resistance. Some herders want to retain their communes because they believe the economic reforms favor urban residents. They are also eager for government clarification on rights to pastureland, as well as on taxation, pensions, and medical care under the new system. The vagueness of the government's pronouncements so far has deterred many herders from abandoning the communes.

Economic troubles and the rise in criminal activity—including smuggling across the borders into China and Russia—have compelled the Mongols to seek assistance from the outside world. The United States and Japan have responded with humanitarian and economic assistance, but they insist that further aid and commerce is dependent on continuing reforms in the country. The International Monetary Fund has also set conditions for its assistance, demanding that Mongolia increase its rate of saving, reduce the budget deficit, and improve the climate for entrepreneurs.

Even if Mongolia met the stipulations of Western nations and Japan, commerce with and aid from these countries are problematic, since all goods must cross through either China or Russia. Facing its own pressing problems, Russia is no threat to Mongolia, but China offers a real challenge to Mongolian economic independence. Fearful of a renewal of the Chinese encroachment and exploitation of the eighteenth and nineteenth centuries, the Mongols are eager to erect barriers to Chinese trade and investment. Because China is closer geographically, has had a longer relationship with Mongolia, and requires Mongolian timber, animals and animal products, and minerals while possessing in abundance such necessities for Mongolia as grain, light manufactured goods, and

industrial equipment, it enjoys advantages over other commercial partners. However, the threat of Chinese control of large enterprises and domination of the newly founded stock exchange is clearly worrisome to Mongolians.

CHINGGIS KHAN AND NATIONALISM

The Mongols' political and economic difficulties have not impeded a dramatic affirmation of their ethnic identity. The Soviet-dominated era of their history witnessed a subversion, if not a shattering, of links with their heritage. Mongols were forbidden from glorifying or even taking too much note of the thirteenth- and fourteenth-century Mongol khanates in China, Russia, and Persia. Their greatest national heroes—Chinggis Khan, Khubilai Khan, and others—were condemned as feudal oppressors who retarded the development of Eurasia. Soviet-inspired propaganda portrayed the Mongols' major religion, Lama Buddhism, and its principal leaders, the Living Buddhas (or Jebtsundamba Khutugtus), as decadent and exploitative.

Since 1989 Mongol nationalists and reformers have challenged all these shibboleths, the rehabilitation of Chinggis Khan in particular symbolizing this ethnic resurgence. Books and articles now portray Chinggis as a brilliant general, a caring founder of the Mongol state, and an advocate and embodiment of Mongol nationalism. His career and exploits have been celebrated in films, ballets, rock ballads, and scholarly works. He has become a cultural icon, and even an object of worship. On a more mundane level, a vodka and a hotel have been named for him, and in the future, other products and geographic sites will surely be named or renamed in his honor.

The last three years have also witnessed a revival of interest in other aspects of the Mongol legacy. Mongol schools now teach the ancient Uyghur script for the Mongol language; practitioners and teachers of the old style of wrestling and dancing have been lionized; city streets have been renamed, substituting the names of Mongol heroes and heroines for names with Marxist overtones; and reformers and modernizers see the wearing of the Mongol national dress, the *del*, as a symbol of liberalism and nationalism.

Ethnic reaffirmation may also be observed in the renewed interest in the native religions, which during the 1930s suffered the destruction of more than 700 Buddhist monasteries, the execution of many lamas, and the loss of invaluable Tibetan and Sanskrit religious writings. The recent curtailment of anticlerical propaganda has led to an outpouring of religious expression. The faithful crowd into the numerous restored and rebuilt temples. The Gandan monastery, which remained open even at the height of the Communist persecution of Buddhism, is experiencing a renaissance, with young men joining and more worshipers attending ceremonies. The Living Buddhas

have been rehabilitated, and a Buddhist political party has been organized. Since the training of monks requires considerable time, many years will elapse before the monasteries are completely rejuvenated, but the prospects for Lama Buddhism seem bright. Shamanism, the ancestral religion of the Mongols, has also benefited from the reduction of antireligious propaganda. Obos—arrangements of sacred rocks on hills or at significant crossroads that are designed to propitiate the earth spirits—have sprouted near Mongolia's major scenic and historic sites.

LIVING BETWEEN RUSSIA AND CHINA

The changes in Mongolia naturally have affected, and have in turn been influenced by, neighboring China and Russia. The decades of Soviet domination created among the Mongols a decidedly negative image of Russians. Yet the Mongols not only need Russian assistance in the future but would like Russian support against possible Chinese encroachment. Though Russian aid and the transport of supplies have been disrupted because of the events in the former Soviet Union, the Mongols are certainly not severing relations with their former patrons. Sentiment for the 500,000 Mongols living in what was the Soviet Union and concerns among the Kazakh minority in Mongolia ensure Mongolia's involvement with its northern neighbors. The Mongolian Kazakhs, a Muslim Turkic group that comprises about 5 percent of the population, speak the same language and share the cultural traits and heritage of the people of the former Soviet republic of Kazakhstan. The Mongol government needs to maintain good relations with Kazakhstan both to avert discontent among its own Kazakhs and to gain permission for the migration of Kazakhs to their original homeland if they choose to go.

China's involvement with Mongolia initially focuses on concerns about Inner Mongolia. Chinese governments did not totally abandon control of Inner Mongolia even after the fall of the imperial system in 1911, and in 1947 the Chinese Communists followed tradition in establishing the Inner Mongolian Autonomous Region as part of China. Though proclaiming that they would protect Mongol language, culture, and heritage, they encouraged Chinese migration into the region; the Chinese in Inner Mongolia now outnumber the 3.5 million Mongols by a ratio of 5 to 1. Discrimination against the Mongols, which led to the execution of tens of thousands of them in the 1960s during the Cultural Revolution, provoked unrest in fall 1981, and again in May and June 1989 around the time of the Tiananmen demonstrations. The Communists' policy of Sinicization has met with resistance in Inner Mongolia, and the rate of Chinese-Mongol intermarriage has been relatively low.

With the relaxation of regulations by Inner Mongolia and Mongolia since 1989, the flow of goods, people,

and ideas has increased between them, generating Chinese Communist fears of "spiritual pollution" from Mongolia. The party attributes some of the recent unrest in Inner Mongolia to the introduction of subversive ideas from Mongolia. Concerned about an eruption of pan-Mongol nationalism that could call for a Mongol state composed of Inner Mongolia, Mongolia, and the former Soviet regions of Tannu Tuva and Buryat, the government has clamped down on any signs of separatism or dissent.

But there are strains in the relations between the Mongols of these different regions. Some Mongols in Mongolia see their fellows in Inner Mongolia as highly Sinicized, having lost many of their Mongol characteristics, while some Mongols of the south regard those from the north as backward bumpkins who are also sharp and duplicitous peddlers and traders. Unity among these diverse groups of Mongols will not be as easy to achieve as the Chinese fear.

Despite concerns about a pan-Mongol movement and its possible impact on Inner Mongolia, China is faced with remarkable opportunities in Mongolia. Here is an underdeveloped, resource-rich country right next to China whose economy requires assistance, investment, consumer goods, and labor, all of which China can supply. Yet the Chinese have moved slowly, partly perhaps for fear of spiritual pollution from Mongol reformers and partly to keep Mongolia poorer than their own client region of Inner Mongolia. In August 1991 Chinese President Yang Shangkun paid an official visit to Ulan Bator, offered about 10 percent of the economic aid pledged by the United States and Japan, and agreed to permit Mongolia to ship its exports through the port of Tianjin (at a stiff price); he also

promised an expansion of trade and air service between the two countries. The next month, however, the Mongols hosted a visit by the exiled Dalai Lama of Tibet—a revered figure in Mongolia's Lama Buddhism—an action that certainly alienated the Chinese leadership. Despite this untoward incident, however, trade between the two countries continues to grow, and contacts between Inner Mongolia and Mongolia are increasing.

CREATING THE NEW MONGOLIA

If Mongolia is to modernize while retaining its autonomy, it needs to overcome or at least to cope with traditional patterns that have hampered the Mongols. Unity, and a legal, orderly process for transferring power are essential. A centralized government is required to undertake the essential tasks of promoting a multiparty system under a constitution and a modified market economy while averting economic exploitation from without. A unifying ideology (perhaps a commitment to democracy) as a substitute for Lama Buddhism and Marxism is also needed. Finally, the Mongols will have to devise a means of securing foreign commerce and expertise without losing independence.

These are daunting tasks, but the Mongols have succeeded in coping with similar challenges in the past. Their ability to survive as a distinct people with a distinct heritage, surrounded by far more populous states that pressured them to assimilate, is truly remarkable. Over the past several centuries they have resisted both Sinicization and Russification and emerged strengthened, which bodes well for their ability to deal with the present crisis. ■

FOUR MONTHS IN REVIEW

APRIL 1992

INTERNATIONAL

Arms Proliferation

(See also *Intl, IAEA; France*)

April 3—The 27 member nations of the Nuclear Suppliers Group sign an agreement in Warsaw to restrict the transfer of materials that could be used for nuclear weapons; the organization was created in 1974 at the urging of the US after India conducted an atomic test.

European Community (EC)

(See also *Intl, Yugoslav Crisis*)

April 6—The EC recognizes the former Yugoslav republic of Bosnia and Herzegovina but delays recognition of Macedonia at Greece's request because the newly independent republic bears the name of a Greek province.

Group of Seven (G7)

April 1—In Washington, D.C., and in Bonn, US President George Bush and German Chancellor Helmut Kohl announce a 1-year, \$24-billion aid program by the leading industrial countries to prevent economic collapse and support democracy in Russia.

International Atomic Energy Agency (IAEA)

April 9—North Korea's official news agency reports that parliament today ratified a plan allowing the IAEA to inspect nuclear installations; North Korea signed the Nuclear Non-Proliferation Treaty, which mandates the inspections, on December 12, 1985.

International Monetary Fund (IMF)

April 15—In Washington, D.C., the fund reports that Russia will require \$24 billion in financial aid in 1992, and the 14 other former Soviet republics \$20 billion; the 15 new countries will need \$100 billion over 5 years. The IMF will provide \$25 billion to \$30 billion and the World Bank will provide \$12 billion to \$15 billion to these nations over the next 4 years.

April 27—The IMF and the World Bank formally offer membership to Russia and all but 1 of the other former Soviet republics; Azerbaijan is expected to receive an offer to join early next month.

International Terrorism

April 5—In New York, 5 Iranian dissidents storm the Iranian mission to the UN, seizing 3 hostages and destroying property before surrendering to police; dissidents also attack Iran's embassies or consulates in Ottawa and 8 western European countries; 8 people are reported injured. In Bonn, the Iranian exile group People's Mujahideen says the attacks were in retaliation for Iran's April 4 bombing of a base near Baghdad operated by the group's military wing, the National Liberation Army.

Middle East Peace Conference

April 27—In Washington, D.C., a 5th round of talks begins between Israel and neighboring Arab countries; negotiations started in Madrid last October.

April 28—In Washington, D.C., Israeli Foreign Minister David Levy tells US Secretary of State James Baker 3d that Israel will not participate in 5 sets of talks on Middle East regional issues scheduled for next month if Palestinians from outside the Israeli-occupied territories attend; the US has suggested that such delegates be allowed so long as they do not hold membership in the Palestine Liberation Organization (PLO).

North Atlantic Cooperation Council (NACC)

April 15—Georgia becomes the 35th member of the council; it is the last former Soviet republic to be admitted.

Organization of American States (OAS)

April 13—At a special session at OAS headquarters in Washington, D.C., the group's foreign ministers draft a resolution demanding that Peruvian President Alberto Fujimori reconvene Peru's congress and restore its constitution and courts, which he suspended April 5.

Palestine Liberation Organization (PLO)

(See also *Intl, Middle East Peace Conference*)

April 8—PLO chairman Yasir Arafat is found alive and apparently with only minor injuries in the southern Libyan desert 15 hours after the private airplane in which he was a passenger crash-landed; 3 of the 12 others who were on board the plane were killed.

United Nations (UN)

(See also *Afghanistan; Cambodia; Libya*)

April 3—The Security Council votes unanimously to condemn the April 1 killing of several Palestinians in the town of Rafa in the Israeli-occupied Gaza Strip by Israeli security forces.

April 10—In a letter to the UN, Iraq says UN surveillance aircraft searching for concealed nuclear sites may be mistaken for Iranian military jets and shot down; the announcement is made after an April 5 Iranian air raid on an Iranian guerrilla base in Iraq.

April 14—The UN suspends its food-aid program in southern Sudan, which regularly feeds 1.5 million starving people, because a new government offensive against rebels in the region has endangered UN personnel.

April 15—Acting on a resolution approved March 31, the Security Council orders air links with Libya severed and arms sales to the country suspended, and mandates the reduction of Libyan diplomatic missions worldwide; the resolution ordered Libya to hand over to US or British authorities 2 Libyans wanted in connection with the bombing of a commercial airliner in 1988 and 4 other Libyans to French authorities for a similar attack in 1989.

April 16—A commission set up under the April 1991 resolution that formally ended the Persian Gulf war announces its redrawing of the Iraq-Kuwait border to conform to a disputed 1963 boundary; near Safwan, Iraq, in the Rumaila oilfield, the border will be moved 570 yards farther north into Iraq.

April 24—The Security Council votes to send 50 military observers to monitor a 6-week-old cease-fire in the civil war in Somalia; this will bring to 12 the number of UN peacekeeping operations worldwide.

Yugoslav Crisis

(See also *Greece; US*)

- April 3—Serb guerrillas from Bosnia and Herzegovina, supported by Yugoslav army troops, attack Muslim Slavs and Croats in the Bosnian towns of Kupres and Bosanski Brod. In Croatia at least 17 people are reported killed after Serbian bombardment of the eastern town of Osijek.
- April 5—After the Bosnian government refuses to rescind a call-up of the national guard, Serb guerrillas shell the Bosnian capital of Sarajevo. At least 4 people are reported killed by gunfire.
- April 6—Serbian gunners bombard the Muslim section of Sarajevo from the hills overlooking the city; at least 11 people have been killed and 100 wounded in the past week of fighting in the city.
- April 7—The Serbian-led Yugoslav army conducts air strikes against the predominantly Croat-populated towns of Siroki Brijeg and Citluk in Bosnia, reportedly in retaliation for an overnight assault by Croat militiamen on Serbian troops at Mostar Airport; at least 13 people are killed.
- April 11—Fighting continues throughout Bosnia as Bosnian militia battle Yugoslav army units and Serb guerrillas; international relief agencies deliver food, medicine, and blankets to the estimated 140,000 refugees in the country, most of them displaced from Croatia.
- April 12—Representatives of Bosnia's three main ethnic groups—Serbs, Croats, and Muslim Slavs—sign an EC-sponsored cease-fire.
- April 14—Yugoslav army troops and Serbian guerrillas violate the April 12 cease-fire agreement and overrun Muslim Slav regions in Bosnia; this is the first large-scale attack by Yugoslav army units based outside of Bosnia.
- April 17—Serb guerrillas and Yugoslav army troops capture the Bosnian town of Bosanski Samac and close the remaining bridge over the Sava River to Croatia; they also bombard Muslim Slav neighborhoods of Sarajevo with artillery fire.
- April 18—US Deputy Assistant Secretary of State Ralph Johnson arrives in Sarajevo along with two C-141 cargo planes loaded with relief supplies; he meets with Bosnian President Alija Izetbegovic to discuss establishing full diplomatic relations with the US.
- April 21—Serbian President Slobodan Milosevic issues a statement denying Serbia has territorial ambitions in Bosnia.
- April 22—In a radio broadcast, a Serb guerrilla leader, Radovan Karadzic, claims he does not want to unify Serb-dominated areas of Bosnia with Serbia, but to create a separate state.
- April 23—Serb, Croat, and Muslim Slav leaders sign another EC-backed cease-fire agreement.
- April 27—Serbia and Montenegro announce the establishment of a new Yugoslavia composed of the two republics.

AFGHANISTAN

- April 4—UN special envoy Benon Sevan meets with Afghan guerrilla representatives in Peshawar, Pakistan, in an effort to negotiate an end to the civil war.
- April 11—The government agrees to accept a UN plan for a neutral 15-member council that will act as an interim government; leaders of at least two rebel factions have rejected the plan.
- April 14—Rebels take control of the provincial capital of Charikar; Jabal-us-Siraj, a small military town; and a government air base 30 miles north of Kabul.
- April 15—Rebel forces from northern and southern Afghanistan begin to converge on Kabul.
- April 16—President Najibullah flees and is reportedly in hiding. Several rebel groups claim control of Kabul; Foreign Minister Abdul Wakil announces that power has been transferred to four vice presidents and the executive committee of

the ruling Watan party but that the government will be handed over to a UN-supported interim administration within a few days. Sevan meets with Watan leaders and Wakil to discuss implementation of the UN plan.

- April 17—In Charikar, Wakil meets with Ahmad Shah Masoud, commander of the Jamiat-i-Islami rebels; the fundamentalist Hezb-i-Islami rebel group claims to have captured the western provincial capital of Herat.
- April 18—Hezb-i-Islami leader Gulbuddin Hekmatyar proposes a 38-member council to rule the country; the council would include commanders from 6 of the 10 guerrilla groups in the country; Masoud is excluded. Masoud's forces surround Kabul, reportedly to protect the capital from rival rebel groups.
- April 19—Masoud says in a radio broadcast that he will accept whatever interim government is created by the rebel leaders, but demands the complete dissolution of Najibullah's government and the ruling Watan party.
- Three rebel groups claim to have captured Herat.
- April 20—Sevan asks the rebels not to enter Kabul until an interim government has been agreed on; Watan party officials say they are willing to transfer power to the guerrillas but not to a new government dominated by Hezb-i-Islami.
- April 21—At the request of rebel commander council leader General Abdul Rashid Doestam, Sevan meets with 100 rebel commanders, asking them to come up with a plan satisfactory to all parties; acting President Abdul Rahim Hatf announces that he will hand over power to the rebels, but not to a single faction.
- April 24—Rebel leaders and government representatives announce that rebels have taken over all but the center of Kabul; Jalalabad, the last provincial capital to fall, is occupied by a coalition of rebels and army defectors; 6 of the 10 rebel leaders in Peshawar announce the formation of a 50-member interim government; Hekmatyar denounces the plan.
- April 25—Nine guerrilla leaders in Peshawar issue a statement that says Masoud is in command of the capital until members of the interim government arrive.
- April 26—Hezb-i-Islami and Jamiat-i-Islami forces clash in Kabul for control of the capital; the Red Cross says 6 people, some of them civilians, have died in the fighting, and as many as 60 have been wounded.
- April 27—Forces loyal to Hekmatyar are driven from strategic areas in Kabul by a coalition of guerrillas and army defectors led by Masoud; hundreds of Hekmatyar's fighters are taken prisoner; members of the provisional government leave Peshawar for Jalalabad.

- April 28—In Kabul, Islamic scholar Sibgatullah Mojadedi, who has been chosen to head the new interim government, announces the creation of an Islamic nation and a general amnesty for all Afghans except for Najibullah. Hezb-i-Islami rebels fire rockets into central Kabul and at the airport; fighting continues as coalition forces under Masoud attempt to oust rebels led by Hekmatyar from the city.

In a ceremony at the Foreign Ministry in Kabul, outgoing Prime Minister Fazal Haq Khaliquiar formally transfers power to the interim government headed by Mojadedi.

ALBANIA

- April 3—President Ramiz Alia resigns.
- April 4—The Democratic party, which holds 92 of the 140 parliamentary seats, nominates Sali Berisha for the presidency and Alexander Meksi for prime minister.
- April 9—Berisha is elected president by parliament in a 96-35 vote; he will be the 1st non-Communist to rule the country since World War II.

ARGENTINA

April 7—In Santo Domingo, the Dominican Republic, government officials and foreign bank lenders, including Citicorp, agree on a plan that will forgive about \$8 billion of Argentina's \$23-billion debt; the country agrees to pay off past-due interest and begin repayment of its remaining debt.

BANGLADESH

(See Myanmar)

CAMBODIA

April 20—UN Secretary General Boutros Boutros-Ghali presides over a ceremony in Phnom Penh at which the leaders of the 4 factions with seats on the National Council sign sections of the International Bill of Human Rights; the Khmer Rouge, Prince Norodom Sihanouk, and the leaders of the 2 other factions pledge to respect civil, political, economic, social, and cultural rights.

CHINA

(See also US)

April 6—Communist party General Secretary Jiang Zemin arrives in Tokyo to press for aid and technology from Japan; Zemin is the first top Chinese official to visit Japan since the 1989 Tiananmen Square massacre.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See also Intl, Group of Seven, IMF)

April 1—Russian President Boris Yeltsin issues a decree removing from the CIS's jurisdiction and placing under Russia's a former Soviet army unit stationed in Moldova, where a state of emergency has been in effect since March 28. Ten people are killed in clashes between Moldovan police and separatists in Bendery, a town in the Trans-Dniester region which is populated mostly by ethnic Russians.

In Grozny, a town in the Chechen-Ingushetia autonomous region, 1,000 people rally in support of Chechen independence from Russia. Yesterday a coup by opposition forces failed to oust Chechen-Ingushetia's president, Dzhokhar Dudayev, but left 5 people dead before a state of emergency was imposed.

April 2—Yeltsin relieves his chief economic adviser, First Deputy Prime Minister Yegor Gaidar, of his post as finance minister; Gaidar will remain deputy prime minister. Vasily Barchuk, the 1st deputy finance minister, succeeds Gaidar.

April 6—The Russian Congress of People's Deputies opens its first session since the creation of the CIS last December.

The editor in chief of the former Communist party newspaper *Pravda* announces that it will resume publication tomorrow; the paper shut down for financial reasons on March 14.

April 7—Yeltsin issues a decree restoring the Black Sea Fleet to Russian jurisdiction after Ukrainian President Leonid Kravchuk's assertion yesterday that Ukraine has authority over all military forces on its territory, including fleet ships based in the Crimean port of Sevastopol.

April 9—Yeltsin and Kravchuk agree to create a commission to determine how the Black Sea Fleet will be redistributed.

April 11—The Itar-Tass news agency reports that about 100 people have been killed in an assault by Azeri forces on the village of Maraga in the Armenian enclave of Nagorno-Karabakh in Azerbaijan; Stepanakert, the enclave's capital, is reportedly hit by as many as 60 Azeri artillery shells.

The Congress of People's Deputies passes a resolution requiring Yeltsin, who is also prime minister, to give up the

post within 3 months and nominate a new prime minister who would be installed after approval by parliament.

Russia, Ukraine, Kazakhstan, and Belarus fail to agree on how to comply with the terms of the Strategic Arms Reduction Treaty (START) that was signed by Soviet President Mikhail S. Gorbachev and US President George Bush in August 1991; the treaty calls for a 30% reduction in long-range missiles by all sides.

April 13—Yeltsin's cabinet submits its resignation; cabinet members say they took this action because Congress has not agreed to continue the economic reform program.

April 14—Artur Mkrtchyan, speaker of the parliament of Nagorno-Karabakh, is assassinated by gunmen in Stepanakert; no one takes responsibility for the killing.

Itar-Tass reports that Armenian forces fired artillery into Azerbaijani villages in the Kazakh and Tauz districts of Nagorno-Karabakh; it also reports that several villages have been burned and that over 100 people have been killed in the past 3 days of fighting.

Ukrainian Foreign Minister Anatoly Zlenko announces that the transfer of short-range nuclear weapons to Russia will resume; Ukraine had halted the shipments earlier this month after saying Russia was not abiding by an agreement to destroy them.

April 15—Yeltsin's cabinet officially withdraws its collective resignation after the Congress approves a resolution that calls for coordination of economic policy between the executive and legislative branches and extends the life of Yeltsin's government until December 1.

April 30—The parliament of Tajikistan authorizes direct rule by President Rakhman Nabiyev for 6 months and suspends civil liberties as well as its own activities; the parliament's actions follow 2 days of demonstrations in the capital of Dushan by thousands of protesters calling for democratic reforms and greater recognition of Islamic culture

CZECHOSLOVAKIA

(See Vatican)

FRANCE

April 2—President François Mitterrand dismisses Prime Minister Edith Cresson and names Pierre Bérégovoy to replace her. The new prime minister later announces a 26-member cabinet that retains Roland Dumas as foreign minister and Pierre Joxe as defense minister.

April 8—Bérégovoy announces that France will halt nuclear weapons testing in the South Pacific Ocean for this year and possibly through 1993 if other nations also agree to suspend testing.

GEORGIA

(See Intl, NACC)

GERMANY

(See also Group of Seven)

April 5—In local elections held today, right-wing parties win about 11% of the vote in Baden-Württemberg and 6% in Schleswig-Holstein—the best showing for extreme right parties in 40 years.

April 27—Hans Dietrich Genscher, who has been foreign minister for 18 years, announces his resignation; Chancellor Helmut Kohl names Housing Minister Irmgard Schwaetzer as his replacement; Genscher's resignation will take effect May 7.

GREECE

(See also Intl, EC)

April 13—Prime Minister Constantine Mitsotakis fires Foreign Minister Antonis Samaras, allegedly because of Samaras's insistence that the breakaway Yugoslav republic of Macedonia change its name before requesting recognition from the EC; Macedonia is also the name of Greece's northernmost province.

IRAN

(See also *Intl, International Terrorism, UN*)

April 5—Government jets bomb a rebel base in Iraq in retaliation for an April 4 rebel raid on 2 Kurdish settlements in Iran that reportedly killed several people. Iraqi and rebel soldiers of the People's Mujahideen claim to have downed one Iranian F-4 Phantom jet.

April 15—*Al Watan*, a Kuwaiti daily newspaper, reports Iran is expelling Arab residents of Abu Musa, a Persian Gulf island jointly administered by Iran and the United Arab Emirates, and is seizing property that belongs to the Emirates.

IRAQ

(See *Intl, UN; Iran; US*)

ISRAEL

(See also *Intl, Middle East Peace Conference, UN; US*)

April 2—Unrest spreads throughout the Israeli-occupied Gaza Strip in reaction to the deaths yesterday of 4 Palestinians in a clash with Israeli paramilitary forces; at least 1 Palestinian is killed today and 29 others are injured.

April 20—Government officials announce they will reopen the occupied West Bank's Bir Zeit University, which the army closed after the beginning of the intifadah.

ITALY

April 6—Results of parliamentary elections held April 4 and 5 show that the ruling coalition of Liberals, Christian Democrats, Social Democrats, and Socialists has won a total of 48.8% of the vote; the remaining 51% goes to a variety of factions, including hard-line left- and right-wing parties; Alessandra Mussolini, a member of the neo-fascist Italian Social Movement and granddaughter of the late dictator Benito Mussolini, is elected to the Chamber of Deputies.

April 24—Prime Minister Giulio Andreotti resigns.

April 25—In a surprise move, President Francesco Cossiga announces his resignation, to take effect April 28, 2 months before his 7-year term was to expire; Giovanni Spadolini, the speaker of the Senate and an opposition Republican party member, will become acting president.

JAPAN

(See also *China; Peru*)

April 2—The Nikkei stock index plummets by 1,060 points, closing at 18,286; this is a 53% decline from 1989's all-time high.

April 9—The Nikkei continues to fall, reaching a low of 16,598.

KOREA, NORTH

(See *Intl, IAEA*)

KUWAIT

(See *Intl, UN*)

LIBYA

(See also *Intl, UN*)

April 2—In Tripoli, demonstrators attack the embassies of countries supporting a UN air and arms embargo against

Libya that is to begin April 15; the UN has threatened further economic sanctions because Libya has refused to comply with UN demands that it extradite 6 men suspected in the bombing of 2 airliners in 1988 and 1989.

MEXICO

April 22—A sewer explosion in Guadalajara caused by the dumping of liquid hexane by 1 or more companies kills at least 189 people and injures 1,470.

MYANMAR

April 26—The military government frees 19 political prisoners; they include U Nu, the last democratically elected prime minister.

April 28—The government signs an agreement with Bangladesh to accept the return of many of the 200,000 Burmese Muslims who have fled to Bangladesh since early last year.

Operations to eradicate the Karen rebels will be suspended, the government announces; it also says it will attempt to begin negotiations on a peace settlement to end the insurgency, which began more than 40 years ago.

NEPAL

April 6—Police kill 5 people and wound approximately 50 when they clash with mobs protesting price increases and government corruption.

NIGERIA

April 9—President Ibrahim Babangida welcomes South African President F. W. de Klerk; this is the 1st visit to the country by a South African leader.

April 10—Babangida tells de Klerk he will not normalize diplomatic relations with South Africa until it forms a multiracial transitional government.

PANAMA

(See *US*)

PERU

(See also *Intl, OAS; US*)

April 5—Backed by the military, President Alberto Fujimori suspends the constitution and the courts, closes parliament, arrests politicians, and imposes censorship; he says his actions are necessary to fight corruption in the government and judiciary.

April 7—Fujimori orders the arrest of more politicians and labor leaders, sends troops to prisons holding suspected terrorists that are controlled by Maoist Sendero Luminoso ("Shining Path") rebels, and forbids lawmakers from leaving the country; he also signs sweeping decrees to legalize his Government of National Reconstruction, made up predominantly of members of his cabinet. Fujimori also orders the withdrawal of military and police forces from newspaper, radio, and television offices and promises plebiscites in the near future.

April 8—A poll by the Peruvian Company for the Investigation of Markets finds that at least 75% of the people in metropolitan Lima agree with Fujimori's decision to dissolve parliament; 19.2% disagree.

A bomb believed to have been planted by Shining Path rebels kills 3 people and wounds 22 in a police station on the outskirts of Lima.

April 13—Four people die and at least 20 are wounded in a car bomb explosion in Callao, a Lima suburb; this is at least the 10th Shining Path attack since Fujimori's coup.

The last of the lawmakers and journalists who had been arrested by Fujimori's decree immediately after the takeover are released.

April 15—The government announces that it has issued warrants for the arrest of former President Alan García and other leaders of his Alianza Popular Revolucionaria Americana (APRA) party, reportedly because García and the others were responsible for weapons found during an April 5 raid on APRA headquarters.

April 22—In Tokyo, the Japanese Foreign Ministry announces Japan will not withhold \$126 million in development aid promised in March; the US has suspended approximately \$1.3 billion in various forms of aid to Peru.

ROMANIA

April 25—Returning after 45 years in exile in Switzerland, King Michael and Queen Anne celebrate Romanian Orthodox Easter in the city of Suceava.

SIERRA LEONE

April 30—President Joseph Momoh is overthrown in a military coup and rebel soldiers announce the establishment of a National Provisional Defense Council; a council member, Lieutenant Colonel Yahya Kanu, says the council is fully in favor of reestablishing democratic, multiparty rule.

SOMALIA

(See *Intl, UN*)

SOUTH AFRICA

(See also *Nigeria*)

April 1—At least 5 people are killed and 38 others injured after fighting breaks out between migrants living in workers hostels in Alexandra and residents of the surrounding town; most of the migrants are Zulu supporters of the Inkatha Freedom party; the residents are supporters of the African National Congress (ANC).

April 3—At least 20 people are killed and 23 others injured when an armed gang attacks a squatter's camp in Katlehong, a township east of Johannesburg. Most of the attackers reportedly back the ANC, while the victims supported Inkatha.

April 13—ANC president Nelson Mandela announces he and his wife, Winnie, have agreed to separate after 33 years of marriage.

April 19—President F. W. de Klerk, Mandela, and Inkatha president Mangosuthu Gatsha Buthelezi, addressing a crowd of hundreds of thousands during an Easter celebration, call for an end to violence in the black townships.

April 23—De Klerk proposes that an executive council elected by all citizens replace the presidency; his proposal calls for a rotating presidency made up of several representatives of the country's 19 main political parties.

April 25—Mandela and Buthelezi reject de Klerk's April 23 plan.

April 30—Police captain Brian Mitchell is sentenced to death by hanging for his involvement in the killing of 11 villagers and the wounding of 8 others in the 1988 "Trust Feed" massacre in Natal province; 4 black auxiliary officers under his command are sentenced to 15 years in prison each.

SPAIN

April 11—As many as 325,000 people demonstrate in cities throughout the country for increased government aid for farmers.

SRI LANKA

April 10—At least 35 civilians are killed in 2 bomb attacks and 20 soldiers are killed in 2 ambushes; all 4 attacks in various parts of the country are believed to be the work of Tamil rebels.

SUDAN

(See *Intl, UN*)

SYRIA

April 27—The US State Department announces that Syria has informed the US that it is removing travel restrictions on the 4,500 Jews who live in Syria.

TAIWAN

April 29—The US-based McDonald's fast-food restaurant chain closes its 57 franchises in the country after 2 bombing attacks at McDonald's restaurants this week leave 1 person dead and several others wounded.

THAILAND

April 7—General Suchinda Kraprayoon becomes prime minister 2 days after being named by the 5 pro-military political parties that garnered the most votes in last month's parliamentary election; Suchinda led a coup in 1991 that overthrew the country's last democratically elected government.

The opposition's choice for the post, Narong Wongwan, reportedly withdrew his name from consideration after the US State Department disclosed that it had evidence linking him to drug trafficking.

UNITED ARAB EMIRATES (UAE)

(See *Iran*)

UNITED KINGDOM (UK)

Great Britain

April 10—Results from yesterday's parliamentary elections give the Conservative party its 4th straight victory over the opposition Labour party; Conservatives gain 41.9% of the vote, Labour 34.2%, the Liberal Democrats 17.9%, and smaller regional parties a total of 6.1%.

A car bomb explosion in London's financial district kills 3 people and wounds 91; the Irish Republican Army (IRA) takes responsibility.

April 11—A bomb explodes in the early morning in northwest London, injuring no one but damaging a significant amount of property; the IRA says it is responsible.

April 13—Neil Kinnock announces that he will resign as leader of the Labour party.

April 27—By a vote of 372 to 238, the House of Commons elects Labourite Betty Boothroyd as its first woman speaker.

Hong Kong

April 25—British Prime Minister John Major names Conservative party head Christopher Patten governor of Hong Kong.

UNITED STATES (US)

(See also *Intl, Group of Seven, Middle East Peace Conference, Yugoslav Crisis, Peru, Thailand*)

April 2—The State Department says its investigation of charges that Israel transferred Patriot antiballistic missiles or technology to China uncovered no evidence of such transfers and is being closed.

April 5—At least 500,000 demonstrators march from the White House to the Mall near the Capitol in Washington, D.C., in support of abortion rights.

April 6—The administration of President George Bush condemns yesterday's imposition of military rule in Peru and suspends \$45 million in new nonhumanitarian aid to the country.

April 7—Bush announces US recognition of the former Yugoslav republics of Bosnia and Herzegovina, Croatia, and Slovenia; he also announces the lifting of trade sanctions against the three newly recognized states and Macedonia, which has also declared its independence; sanctions were invoked against Yugoslavia last December.

April 9—After a 7-month trial in US district court in Miami, a jury convicts General Manuel Noriega, the former leader of Panama, on 8 counts of narcotics trafficking, money laundering, and racketeering, and acquits him of 2 cocaine trafficking charges; Noriega is the 1st foreign head of state to be convicted by an American jury on criminal charges.

April 23—A House Armed Services Committee study of last year's Persian Gulf war, released today, estimates that 9,000 Iraqi troops were killed in the air war, 17,000 were injured, and 153,000 deserted before the beginning of the ground offensive in Kuwait and southern Iraq on February 24; the Defense Department had not previously released any formal estimates on Iraqi casualties.

April 27—The US suspends drug surveillance flights over Peru 3 days after 2 Peruvian air force fighters fired on an unarmed US military transport plane 80 miles off Peru's Pacific coast; a US airman was lost and is presumed dead.

April 29—The US authorizes commercial sales of food and other necessities to Vietnam, relaxing an embargo imposed on North Vietnam in 1964 and extended to the south in 1975.

The Energy Department announces that it will stop producing highly enriched uranium for nuclear arms; no nu-

clear warheads have been manufactured in the US since 1990.

In south-central Los Angeles, violence breaks out after an all-white jury in suburban Ventura County acquits 4 white city police officers on 10 counts in a March 1991 beating of a black motorist that was recorded by a witness on videotape; the jury deadlocked on 1 count of use of excessive force against 1 of the officers. At 8:55 PM Mayor Tom Bradley declares a state of emergency after widespread random shootings and beatings of bystanders; vandalism, often directed against Korean American-owned stores; and looting.

April 30—Authorities in Los Angeles report that 11 people have been killed, hundreds injured, and at least 378 arrested as rioting continues; more than 800 building fires have been reported. Bradley imposes a dusk-to-dawn curfew, and 4,000 National Guard troops are deployed in the city. Violence spreads to the affluent, mostly white areas of Beverly Hills and West Los Angeles.

VATICAN

April 11—*The New York Times* reports that the Roman Catholic Church has revoked the status of approximately 300 Czechoslovak priests ordained under Communist rule because they are either married or are women.

VIETNAM

(See US)

ZAIRE

April 14—Talks open today among 1,818 delegates on the creation of a transitional government until new elections are held. ■

MAY 1992

INTERNATIONAL

Arms Proliferation

(See also CIS; US)

May 19—In Washington, D.C., US President George Bush and President Nursultan Nazarbayev of Kazakhstan agree that the former Soviet republic will eliminate the 104 Soviet SS-18 nuclear missiles on its territory by the year 2000; Nazarbayev also announces that his country will soon become a signatory to the Nuclear Non-Proliferation Treaty.

May 23—In Lisbon, representatives of the US and the 4 former Soviet republics that are now nuclear states sign an agreement that paves the way for ratification of the Strategic Arms Limitation Treaty (START); Belarus, Kazakhstan, and Ukraine agree to dismantle or transfer to Russia their strategic nuclear missiles; Belarus and Ukraine issue a letter to Bush requesting international oversight of the disarmament process. Under START, which was signed by the US and the Soviet Union in July 1991, the US must eliminate approximately 3,000 of its 11,600 strategic missiles, while the Soviet Union was to reduce its stockpile of 10,222 to 6,500; the treaty now goes up before the legislatures of the 5 countries for ratification.

European Community (EC)

May 2—Members of the EC and the European Free Trade Area sign a treaty that will allow the free movement of labor, goods, services, and capital among their 19 states; the treaty, which will create a European Economic Area, will take effect January 1.

May 11—EC foreign ministers agree to withdraw their countries' ambassadors from Yugoslavia because of Serbian involvement in the civil war in Bosnia and Herzegovina.

May 21—EC foreign ministers agree to slash agricultural subsidies to the community's farmers; the subsidies accounted for about \$46 billion of the EC's 1991 \$85-billion budget and have been a major trade irritant between the EC and the US.

Human Rights

(See also Intl, World Bank, OAS, Yugoslav Crisis; Kenya; US)

May 20—Amnesty International issues a report detailing cases of torture and political arrests in Tibet by the Chinese government; Amnesty claims at least 200 prisoners are being held without trial in Tibet.

May 30—Americas Watch announces that US Immigration and Naturalization Service agents along the US-Mexican border have been responsible for killing 11 people and crippling 10 others since 1980; the human rights group asserts that agents have shot, tortured, raped, and beaten scores of Mexicans attempting to cross the border and have faced little or no punishment for their actions.

International Atomic Energy Agency (IAEA)

May 4—North Korea submits to the agency a 100-page report that lists 4 nuclear reactors in the country.

May 19—A group of American, British, French, and Russian nuclear weapons designers who had been convened at the IAEA's request releases results of its study that finds Iraq was at least several years away from developing a nuclear

weapon before the 1991 Persian Gulf war; in late 1990, the Bush administration claimed Iraq was as close as 6 months away from developing one.

International Bank for Reconstruction and Development (World Bank)

May 13—The bank and other Western donor nations freeze development aid for Malawi in response to what the bank calls deteriorating human rights conditions in the country; emergency aid for the 900,000 Mozambican refugees in Malawi will not be affected.

Middle East Peace Conference

May 11—Five conferences on regional issues, which will not involve formal negotiations, open in 5 national capitals starting today. Syria and Lebanon boycott a session in Washington, D.C., on arms and regional security, while a delegation of Palestinians arrives to protest its exclusion from the conference; invitations were extended only to states with formal military establishments. Israel, Syria, and Lebanon fail to appear at talks in Brussels on the Middle East's economy; Israel cites its policy of refusing to negotiate with Palestinians who live outside the occupied territories.

Organization of American States (OAS)

May 17—On Paradise Island, the Bahamas, the OAS's 37 foreign ministers vote to prohibit port privileges for ships that trade with Haiti; to deny visas to supporters of the September 1991 coup against Haitian President Jean-Bertrand Aristide; and to condemn human rights abuses by the Haitian government.

United Nations (UN)

May 13—Secretary General Boutros Boutros-Ghali announces that peacekeeping troops will not be sent to Bosnia and Herzegovina because of the intensity of the conflict and the failure of the warring parties to maintain a truce.

May 15—The 15 members of the Security Council unanimously approve a resolution demanding an end to the fighting in Bosnia, the disarming of all Yugoslav army troops, and the reopening of the airport in the Bosnian capital of Sarajevo to allow relief flights.

May 16—The UN headquarters in Sarajevo is shut down and 200 staffers are evacuated to Croatia; approximately 120 UN employees will remain in Sarajevo to facilitate food deliveries and continue cease-fire efforts.

May 22—The General Assembly votes to extend full membership to Bosnia, Croatia, and Slovenia, bringing the number of UN members to 178.

The office of the UN High Commissioner for Refugees announces that it will stop sending convoys of relief supplies to Bosnia, citing 12 hijackings of UN trucks yesterday and concern for the safety of personnel.

May 30—The Security Council votes, 13 to 0, to impose total economic sanctions against the newly formed rump state of Yugoslavia that is comprised of Serbia and Montenegro; the Council's resolution calls for a cease-fire and an end to aggression in Bosnia; it also prohibits trade with the federation, freezes Serbia's and Montenegro's foreign assets, and severs all air traffic links; China and Zimbabwe abstain from voting.

West European Union (WEU)

May 22—France and Germany approve the creation of a 35,000-member army corps under their dual jurisdiction; the force, called the European Corps, will become operational October 1, 1995.

Yugoslav Crisis

(See also *Intl, EC, UN; US*)

May 2—The breakdown of EC-mediated peace talks in Lisbon leads to heavy fighting in the civil war in Bosnia and Herzegovina; in central Sarajevo, Serb guerrillas and primarily Serbian Yugoslav army troops battle Bosnian militias with tanks, rocket-propelled grenades, and automatic weapons. Bosnian President Alija Izetbegovic is arrested in Sarajevo by Yugoslav army officers.

May 3—Izetbegovic is freed in a deal involving the release of 180 Yugoslav army soldiers held by the Bosnian militia.

May 5—The government of the rump Yugoslav state of Serbia and Montenegro says it will relinquish control of the 100,000 Yugoslav army troops in Bosnia and Herzegovina by May 15.

Serbs, Croats, and Muslim Slavs in Bosnia agree on an immediate cease-fire brokered by the UN.

May 12—The UN High Commissioner for Refugees reports that there are approximately 1.2 million registered "displaced" people inside the former Yugoslavia; 577,000 are from Croatia and 629,000 are from Bosnia.

May 19—At a news conference in Washington, D.C., Haris Silajdzic, the foreign minister of Bosnia, says his country is being subjected to "ethnic cleansing" by Serb forces, with non-Serbs forcibly deported to refugee centers that he calls concentration camps.

May 21—Serb gunmen release between 5,000 and 7,000 refugees detained May 19 as they were leaving Sarajevo, in return for food deliveries to 3 besieged Yugoslav army barracks in the capital.

May 24—In an election in the Kosovo region of Serbia termed illegal by the government in Belgrade, ethnic Albanians, who make up 90% of Kosovo's population, vote overwhelmingly to secede from the rump Yugoslav state; Ibrahim Rugova, a lecturer on modern literature, is elected president of Kosovo.

May 27—Despite a cease-fire that took effect this morning, a mortar attack on Sarajevo, probably by Serb guerrillas, kills 16 civilians waiting to buy bread and wounds at least 70, some of them critically.

May 28—Serb units shell Dubrovnik, Croatia, for the 1st time since a UN-mediated truce agreement for Croatia was signed in December.

May 31—In Belgrade, the day after the UN imposes an economic embargo against Yugoslavia, tens of thousands of demonstrators call for Serbian President Slobodan Milosevic to resign.

A UN-brokered cease-fire for Bosnia, effective tomorrow, is agreed to by the warring factions; an estimated 2,300 people have been killed and 7,700 wounded so far in the fighting in Bosnia.

AFGHANISTAN

May 5—The head of Afghanistan's interim governing council, Sibgatullah Mojadedi, says he will remain in office 2 years instead of the 2 months stipulated in a pact agreed to last month by all the main rebel groups except for the hard-line Hezb-i-Islami. Forces loyal to Hezb-i-Islami leader Gulbuddin Hekmatyar bombard Kabul with rockets and grenades, killing at least 40 people. Mojadedi has pledged to establish an Islamic government and to hold free elections.

May 25—Hekmatyar and Defense Minister Ahmad Shah Massoud agree to end the fighting and to hold elections within 6 months; they also call for the withdrawal from Kabul of militia forces led by General Abdul Rashid Doestam, an army commander under former President Najibullah.

ALGERIA

May 4—A military court sentences to death 13 men who it says are members of the outlawed Islamic Salvation Front (FIS); the men were convicted of murdering 3 soldiers at an army post in Guémar in November; the FIS has denied involvement.

AUSTRIA

May 30—Final results from the May 24 presidential runoff election reported today in the *Economist* show that Thomas Klestil, chief of the diplomatic corps and a former ambassador to the US, defeated Social Democratic candidate Rudolf Streicher, 57% to 43%. President Kurt Waldheim will step down from office in July.

CANADA

May 5—In a referendum, 54% of voters in the Northwest Territories approve a split of the region; the 772,260-square-mile eastern portion, called Nunavut, will be administered by the Inuit people.

May 27—In London, Olympia and York Developments Ltd. requests court bankruptcy protection for its multibillion-dollar Canary Wharf project in east London, the largest office development in Europe. On May 14 the company filed for bankruptcy in Toronto for 29 Canadian subsidiaries.

CHINA

(See also *Intl, Human Rights*)

May 21—The US State Department reports that China today conducted its largest underground nuclear test ever, setting off in Xinjiang province an explosion with a yield of about 1 megaton.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See also *Intl, Arms Proliferation; US*)

May 5—Russia announces that it will make the ruble fully convertible by August 1, at a single exchange rate pegged to the US dollar.

May 6—CIS and Ukrainian military commanders confirm the completion of the transfer to Russia of all tactical nuclear arms that had been in Ukraine; this leaves Russia as the only CIS member with battlefield nuclear weapons.

May 7—In Dushanbe, Tajikistan, Islamic and pro-democracy opposition forces announce the takeover of the parliament building, the airport, and the national radio station; President Rakhman Nabiyeu, a Communist, flees; as many as 60 people have been killed in 3 days of fighting.

Russian President Boris Yeltsin issues decrees establishing a Russian army, with himself as commander in chief; the force is expected to number between 1.2 million and 2.5 million troops. The commander of CIS forces, Marshal Yevgeny Shaposhnikov, says the CIS will retain control over the former Soviet Union's strategic nuclear arms.

May 8—Armenian irregulars capture Shusha, Azerbaijan, the last major remaining Azerbaijani-populated town in the Armenian enclave of Nagorno-Karabakh.

May 10—Security troops in Dushanbe fire on demonstrators outside the headquarters of the secret police, where Nabiyeu fled May 7; at least 9 people are killed and 11 wounded.

May 11—Nabiyeu agrees to form a coalition government in which 8 of the 24 cabinet posts, including the foreign and defense ministries, will be held by opposition members.

May 15—In Baku, Azerbaijan's capital, nationalist supporters of the Popular Front coalition and renegade soldiers from the army take over the parliament building, the presidential

palace, and the state television; one nationalist is killed. Yesterday parliament reinstated Ayaz Mutalibov, a Communist, as president; Mutalibov immediately canceled elections set for June and banned public gatherings. Mutalibov had resigned in March over setbacks in Nagorno-Karabakh.

At a 1-day summit meeting in Tashkent, 6 CIS countries—Armenia, Kazakhstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan—sign a collective security pact.

May 18—Yeltsin signs a parliamentary resolution that raises the prices of oil and natural gas in Russia more than 500%.

The government of Kazakhstan and the US-based Chevron Corporation sign an agreement on a joint venture to develop the Tengiz and Korolev oilfields and to explore for oil over an additional 1,500-square-mile area of Kazakhstan; Chevron will invest \$10 billion over 40 years and will receive about 20% of the oil revenue; the Tengiz field is ultimately expected to yield 700,000 barrels of oil daily.

May 19—Azerbaijan's parliament votes to dissolve itself and transfer power to a council dominated by the Popular Front.

The news agency Tass reports that Armenian forces have captured the town of Lachin, Azerbaijan, in a bid to open a corridor from Armenia to Nagorno-Karabakh.

May 21—The Crimean parliament votes to withdraw a declaration of independence that it approved May 6 and calls for a negotiated redivision of authority with Ukraine. Shortly after the Crimean legislators' action, the Russian parliament, by a 136-18 vote, approves a resolution declaring the 1954 Soviet grant of the Crimea to Ukraine unconstitutional and void.

May 27—In an interview published today in *Komsomolskaya Pravda*, Yeltsin says he will not run for a 2d term in 1996, because the presidency has become too stressful.

EGYPT

May 5—In the village of Manshiet Nasser in southern Asyut province, Muslim militants involved in a local feud with Coptic Christians shoot and kill 14 Copts and wound 5.

FRANCE

(See *Intl, WEU*)

GEORGIA

May 20—Near Tskhinvali, the capital of South Ossetia, gunmen believed to be Georgian militants fire on a bus carrying Ossetian refugees, killing at least 31 people. A cease-fire was declared 10 days ago in the 2-year conflict between Georgia and South Ossetians who want to join North Ossetia, a region in Russia.

GERMANY

(See also *Intl, WEU*)

May 7—A strike by public-sector workers in western Germany that began April 25 and involved up to 270,000 absentees daily ends; government negotiators and the 2.3-million-member Union of Public Services, which had sought a 9.5% increase, agree on a 5.4% wage hike.

May 14—In balloting on the May 7 agreement, 55.9% of union members vote not to approve the accord; the union's leaders may override the result.

GHANA

May 4—Final results from April 28 balloting show that 92.5% of voters approved a constitution that legalizes political parties and provides for a presidential system and a legislature; another provision protects members of the ruling junta from prosecution; elections are scheduled for November and December.

HAITI

(See also *Intl*, *OAS*; *US*)

May 9—Prime Minister Jean-Jacques Honorat, General Raoul Cedras, the army commander, and parliamentary leaders announce that they will form a national unity government; both houses of parliament must approve the pact.

INDIA

(See *US*)

IRAN

May 30—Thousands of squatters in the city of Meshed riot to protest their eviction; encountering little police resistance, they burn down police stations, the courthouse, and the treasury; 2 people are killed and at least 300 are arrested.

IRAQ

(See *Intl*; *IAEA*)

May 22—Results are published from the Kurds' 1st democratic elections, held May 19 in northern Iraq in a protected zone set up with UN approval after last year's Persian Gulf war; the new 100-member parliament is split between the 2 major parties, the Kurdistan Democratic party and the Patriotic Union of Kurdistan; the parties' respective leaders, Massoud Barzani and Jalal Talabani, will compete in a runoff election for president. Despite an Iraqi military presence, about 1 million Kurds voted.

May 24—*The New York Times* reports on an effort by the US, Saudi Arabia, Israel, and Iran to destabilize the Iraqi government by circulating large quantities of counterfeit dinar notes and dollars; the Iraqi government has instituted the death penalty for counterfeit-currency smuggling.

ITALY

May 25—In Rome, a parliamentary electoral college selects as president Oscar Luigi Scalfaro, a Christian Democrat who is speaker of the legislature's lower house.

KENYA

May 22—The country's 18 Roman Catholic bishops and the cardinal in Nairobi call for the government's resignation, citing police brutality, corruption, and recent ethnic conflict in the Rift Valley; as many as 2,000 members of the Kikuyu, Luo, and other large ethnic groups have been killed there by what the clergymen call "trained warriors" who belong to President Daniel arap Moi's minority ethnic group.

KOREA, NORTH

(See also *Intl*, *IAEA*; *Korea, South*)

May 13—The government turns over the remains of 15 American soldiers listed as missing in action since the Korean war to a UN honor guard; approximately 2,500 of the 8,000 UN troops still listed as MIAs are Americans.

KOREA, SOUTH

May 22—UN officials say that 3 North Korean soldiers were killed by South Korean troops after crossing into the demilitarized zone between the 2 countries.

LEBANON

(See also *US*)

May 6—Prime Minister Omar Karami and his cabinet resign after widespread riots over rising prices and a collapsing currency; a 4-day general strike began yesterday.

May 16—Former prime minister Rashid al-Solh, whom President Elias Hrawi named to the position again on May 13,

announces a 24-member cabinet that includes 15 ministers who served under Karami.

MALAWI

(See also *Intl*, *World Bank*)

May 9—In Lilongwe, the capital, and in the city of Blantyre, mobs demand the resignation of President Hastings Kamuzu Banda, set fire to government-owned buildings, and loot shops; state radio reports several dozen deaths and hundreds of arrests in the country's 1st significant antigovernment demonstrations since independence was achieved in 1964.

MEXICO

(See *Intl*, *Human Rights*)

NIGERIA

May 13—In Lagos, at least 3 people are killed and hundreds injured in rioting over a gasoline shortage and other economic grievances; clashes with police are reported in several towns in the southern coastal region.

May 17—Muslim-Christian rioting sparked by a land dispute in the town of Zangon Kataf in the predominantly Muslim north spreads to another town and the northern city of Kaduna. Muslims make up about 50% and Christians about 30% of the country's population.

May 20—The government bans all political, religious, and ethnic organizations other than the 2 approved political parties.

May 22—*The New York Times* cites estimates by political analysts and witnesses that between 500 and 800 people have died in the past 10 days of civil unrest.

PERU

(See also *US*)

May 18—In an address to foreign ministers attending an Organization of American States meeting in Nassau, the Bahamas, President Alberto Fujimori says he will hold elections within 5 months for a national assembly to redraft the country's constitution.

May 23—Shining Path rebels detonate a 650-pound bomb in Lima's financial district, killing 1 person, injuring 10, and inflicting heavy damage on dozens of buildings.

PHILIPPINES

May 15—Presidential candidate Miriam Defensor Santiago says "wholesale electoral fraud" occurred in national elections held May 11; about 90% of the ballots have yet to be counted.

RWANDA

May 1—A bomb explosion in the commercial center of Ruhango outside Kigali kills 17 people and injures 131; no group claims responsibility for the attack, the 3d in the capital in 6 weeks.

May 28—In Kigali, clashes between supporters of rival political parties result in 5 deaths; 2 months ago, President Juvénal Habyarimana and 4 opposition parties agreed to form a transitional government headed by Habyarimana.

SIERRA LEONE

May 2—The 22-member ruling junta, which directed the ouster of President Joseph Momoh on April 29, arrests the head of the junta, Lieutenant Colonel Yayah Kanu, and replaces him with his second-in-command, Captain Valentine Strasser.

SOUTH AFRICA

May 27—In an interim report presented to parliament today, an investigative judicial commission created last year by President F. W. de Klerk says that violence in black townships around Johannesburg and in Natal province is primarily the result of the political rivalry between supporters of the African National Congress and the Inkatha Freedom party; since 1984 as many as 12,000 people have died in the violence.

THAILAND

(See also US)

May 11—In Bangkok, demonstrators calling for the resignation of Prime Minister Suchinda Kraprayoon suspend a weeklong peaceful protest involving rallies attended by up to 100,000 people; in return, the governing coalition agrees to support constitutional amendments increasing the power of elected officials and requiring that the prime minister be an elected member of the National Assembly. Suchinda, who was the architect of a military coup in February 1991, last month resigned as army commander and was appointed to the prime ministership by the coalition's 5 parties, the winners in national elections held March 22.

May 17—The government declares a state of emergency in Bangkok and surrounding provinces after troops and police break up a pro-democracy march; more than 150 people are reported injured.

May 19—In 2 days of continuing demonstrations in Bangkok, troops fire indiscriminately into crowds, killing and wounding scores of unarmed protesters; the government acknowledges 40 deaths and 600 injuries. The leader of the democracy movement, Chamlong Srimuang, a member of the National Assembly, was arrested yesterday along with hundreds of other protesters.

May 20—Tens of thousands of people demonstrate in Bangkok against Chamlong's arrest; later, large crowds attend a pro-democracy rally at Ramkhamhaeng University.

Chamlong and Suchinda are summoned to Chitralada Palace in Bangkok to meet with King Bhumibol Adulyadej and his adviser, General Prem Tinsulanonda; the prime minister and Chamlong agree to negotiate an end to the violence under Prem's mediation; they also announce an amnesty for the thousands of jailed protesters.

May 22—King Bhumipol signs a royal decree granting amnesty to all government officials who took part in the crackdown.

May 24—Suchinda resigns and goes into hiding; because succession rules are unclear, Thailand is left without a prime minister. Bangkok police announce that 589 people have been reported as missing since the violence began.

TURKEY

May 15—Two guerrilla units of the Kurdish Workers party cross from Iraq into southeastern Turkey and attack 2 frontier posts, killing 27 Turkish soldiers; 36 guerrillas are killed in a counterattack.

UNITED STATES (US)

(See also Intl, Arms Proliferation, Human Rights; Iraq; Korea, North)

May 1—Claiming he is "stunned" by the court verdict that sparked the Los Angeles riots, President George Bush announces in a televised address that he has ordered an additional 1,000 federal law enforcement officers, 1,300 marines, and over 2,500 soldiers to the city; the Los Angeles Fire Department reports that as many as 3,767 buildings have been set ablaze in the rioting. Small-scale rioting and looting erupt in Las Vegas, Seattle, Atlanta, San Francisco, and other cities across the country.

May 4—Los Angeles Mayor Bradley lifts the dusk-to-dawn curfew and postal and transportation services resume; 6,000 National Guard troops, marines, and soldiers remain in the city, with 3,000 on alert in nearby armories. The Los Angeles Sheriff's Department announces that at least 58 people were killed in the unrest—the largest number of casualties in any riot in the US since the Civil War—and that 2,383 people were injured and 11,656 arrested; the department assesses property damage in and around Los Angeles at \$717 million.

May 11—The government enacts a 2-year ban on exports to Glavkosmos, a Russian space agency, and the Indian Space Research Organization for what the State Department calls a violation of the international Missile Technology Control Regime, a nonbinding agreement to reduce the transfer of technologies with military applications. The Russian agency sold rocket technology to the Indian organization that India says will be used for civilian satellite communications.

May 12—The Agency for International Development (AID) says it will eliminate food aid to Lebanon; AID cites the ineffectiveness of the food distribution as the primary reason for stopping the aid.

May 16—The Defense Department announces that it has removed 2 radar systems and 30 attendant personnel from northern Peru; the department also says it has grounded AWAC and Orion flights from US Southern Command headquarters in Panama over Peru's Upper Huallaga Valley.

May 19—The Bush administration says continuing normal relations with Thailand is "impossible" because of the Thai government's handling of political protests; the Defense Department announces it will suspend joint military operations.

May 20—The US denies landing rights at American airports to the Yugoslav national airline.

In the 2d-largest settlement of its kind, the investment house of Salomon Brothers Inc. agrees to pay the government \$290 million in penalties for submitting false bids during Treasury auctions used to finance the country's public debt; the government agrees not to press criminal charges.

May 21—Citing the strain on resources and services at the refugee camp it has set up at the Guantánamo Bay naval base in Cuba, the Coast Guard announces it will not pick up boatloads of Haitian refugees it encounters unless the refugees are in "imminent danger"; approximately 34,000 refugees have been rescued since last October.

The Senate votes, 61 to 36, to approve a \$1.45-billion urban aid bill, adding to an \$822-million bill passed by the House of Representatives last week; today's bill provides funding for a range of social services, including programs to aid in repairing damage caused by the Los Angeles riots.

May 22—In London, Secretary of State James Baker 3d announces that the administration has ordered the closing of New York's and San Francisco's Yugoslav consulates and the expulsion of Yugoslav diplomats and military attachés; Baker also says the US will withhold recognition of the Serbian-led Yugoslav federation until its forces are withdrawn from Bosnia and Herzegovina. On May 12 US Ambassador Warren Zimmermann was withdrawn from Yugoslavia.

May 23—The Defense Department issues a revision of an earlier document on US post-cold war strategy that urged the suppression of emerging superpowers that could rival the US; the new version emphasizes a preference for multilateral action and strengthening international groups.

May 24—Reversing a decision made several days ago, the president authorizes Coast Guard vessels to deter boats carrying Haitian refugees to the US and escort them back to Haiti. Bush says there is no adequate housing available for more refugees; approximately 12,000 Haitians are awaiting asylum at Guantánamo Bay. ■

INTERNATIONAL

AIDS Crisis

June 3—In Washington, DC, an international group headed by Jonathan Mann of Harvard University's School of Public Health releases the results of a study that estimates by the year 2000 as many as 110 million people will be infected with the virus that causes acquired immunodeficiency syndrome (AIDS); the estimate conflicts with UN World Health Organization predictions that 40 million people at most will be infected by that time.

Black Sea Economic Cooperation Council

June 25—In Istanbul, the heads of state of 11 Balkan nations and former Soviet republics sign a declaration committing them to the group, which was created in 1990 as a forum for discussing and resolving economic and political matters.

European Community (EC)

June 2—Danish voters reject the European monetary union treaty, with 50.7% voting against it and 49.3% for it; the result technically vetoes the treaty, which must be ratified by all 12 EC nations before going into effect January 1, 1993.

June 4—At an emergency meeting in Oslo, the 11 EC members other than Denmark agree not to renegotiate the monetary union treaty and to continue with the nation-by-nation ratification process.

June 22—In Luxembourg, the transportation ministers of the 12 member nations agree to deregulate all of the countries' airlines by April 1, 1997, allowing unrestricted competition among all of the nations' carriers for international as well as domestic flights; the ministers also agree to eliminate government tariffs on airlines by January 1, 1993.

June 26—Jacques Delors is reappointed to the presidency of the European Commission for 2 years; he has been president since 1985.

June 27—EC foreign ministers say they will recognize Macedonia's borders but will not refer to the country as "Macedonia" in deference to Greece's wishes.

Global Forum

June 2—In Rio de Janeiro, a meeting of representatives of more than 15,000 nongovernmental organizations begins; the Global Forum was established so that these groups could discuss their positions on a wide range of topics at the same time the UN holds its "Earth Summit" in the city.

International Monetary Fund (IMF)

June 24—The fund announces it will lend Russia \$1 billion as part of a simplified economic reform agreement; the IMF will continue discussions with Russia on reforming its economy that may lead to freeing up greater amounts of aid.

International Terrorism

June 17—In Beirut, 2 German relief workers held in Lebanon for more than 3 years by militants believed by Western governments to be the Party of God are released; they are the last two Western hostages known to have been held there.

Middle East Peace Talks

(See *Israel*)

North Atlantic Treaty Organization (NATO)

June 4—For the 1st time since NATO's creation, members agree to permit the alliance's forces to operate as peacekeepers in European conflicts outside their countries' territory.

Palestine Liberation Organization (PLO)

June 8—Aref Bseiso, an intelligence and security aide to chairman Yasir Arafat, is shot and killed in Paris by 2 unidentified assassins.

June 30—Colonel Anwar Madi, the commander of the PLO's Fatah faction in southern Lebanon, is assassinated by 2 gunmen in Sidon, Lebanon; no one takes responsibility for the killing.

Southern Cone Common Market (Mercosur)

June 28—In Las Leñas, Argentina, the presidents of Argentina, Brazil, Paraguay, and Uruguay agree to abolish tariffs on trade among their countries and coordinate customs systems by the beginning of 1995.

United Nations (UN)

(See also *Intl. Yugoslav Crisis*; *Cambodia*)

June 3—The UN Conference on Environment and Development—the so-called "Earth Summit"—begins in Rio de Janeiro with 178 delegates from around the world in attendance; the 12-day meeting will focus on multilateral approaches to reducing the damaging effects of industrialization on the environment, as well as on ways to protect plant and animal life.

June 4—At the Earth Summit, 12 countries sign the "climate" treaty, which limits to 1990 levels the so-called greenhouse gases industrial countries can emit; the treaty, which can be signed anytime in the coming year, will become binding once ratified by 50 nations.

June 8—The Security Council unanimously approves a resolution on sending 1,100 UN peacekeeping troops to reopen the airport in Sarajevo, the capital of Bosnia and Herzegovina; warring Serbian and Bosnian forces must observe a cease-fire. There are currently 14,000 UN peacekeeping personnel in the former Yugoslavia.

June 12—In Rio, US President George Bush signs the climate treaty and asks other nations to join the US in creating by January 1, 1993, plans for controlling greenhouse gas emissions. Chancellor Helmut Kohl of Germany promises to reduce German carbon dioxide emissions by over 25% by the year 2005; all 12 EC nations have signed a declaration in addition to the climate treaty that states they will reduce their greenhouse gas emissions to 1990 levels by the end of the decade.

June 14—The Earth Summit ends; 153 nations, including members of the EC and Japan, have signed a binding biodiversity treaty, which requires nations to maintain accounts of plant and animal life in order to protect endangered species; the US has not signed the convention, which will go into effect after 30 nations ratify it, because it calls on participating countries to share profits, research, and technology with nations whose organic resources they use.

June 19—Secretary General Boutros-Ghali announces he wants as many nations as possible to make available on 24 hours' notice 1,000 troops for peacekeeping operations; he adds that this, along with the creation of UN military stockpiles in various parts of the world, would aid UN peacekeeping efforts.

June 26—Threatening possible military action, the Security

Council delivers a 48-hour ultimatum to Serbian forces in Sarajevo to stop fighting and place their heavy weapons under UN control so that flights carrying relief supplies may land.

June 29—UN troops take control of Sarajevo's airport; a French military transport lands with 10 tons of relief supplies. The Security Council votes unanimously to send a Canadian battalion of 850 UN peacekeeping troops from Croatia to the airport.

June 30—The Security Council orders Croatian President Franjo Tudjman to withdraw Croatian forces from areas populated by Serbs and allow UN peacekeeping troops to replace them; the resolution comes after Croatian advances earlier this month in Serb-dominated regions of Croatia and complaints of Serbian mistreatment.

Yugoslav Crisis

(See also *Intl*, *EC*, *UN*)

June 4—Results from May 31 parliamentary elections in the Serbian-Montenegrin federation, the successor state to Yugoslavia, show that President Slobodan Milosevic's party captured 73 of 138 seats, while the Serbian Radical party, which advocates "ethnic cleansing" of Serb-dominated areas outside Serbia, won 33 seats.

June 5—After UN mediation, Serb and Bosnian leaders in Sarajevo sign a tentative agreement to reopen the city's airport to relief shipments.

Muslim Slav militiamen who had blockaded the Marshal Tito barracks in central Sarajevo since early May allow 734 Yugoslav army troops and dependents to leave.

June 8—After 3 days of the heaviest shelling yet in 2 months of fighting in Sarajevo, Bosnian President Alija Izetbegovic calls on the US to bomb Serb artillery emplacements in the hills ringing the capital; an estimated 400,000 people remain in shelters in the devastated city.

June 13—A cease-fire agreement signed by Serb leaders and the Bosnian government yesterday takes effect and is immediately broken, as Serb forces shell Sarajevo.

The Yugoslav Federal Assembly names Dobrica Cosic, a Serbian nationalist, president of the rump Yugoslav federation. In Belgrade, 15,000 university students call on Serbian President Slobodan Milosevic to resign.

June 21—In a serious challenge to the UN-mediated truce in Croatia declared in January, Croatian troops shell the city of Knin, headquarters for 2,500 UN peacekeeping troops. Croatian forces yesterday won a battle near the town of Drnis in which 70 Serbs were reported killed.

June 26—Serb forces in Sarajevo violate a unilateral cease-fire their leaders agreed to on June 24 in talks with Major General Lewis Mackenzie, commander of planned UN relief operations in the capital; during the talks they also agreed to place their heavy guns under UN supervision by June 29.

June 28—About 100,000 demonstrators in Belgrade call for Milosevic's resignation.

French President François Mitterrand visits Sarajevo, which remains under almost continuous shelling and sniper fire; at a news conference he condemns the Serb bombardment of the city.

Serb forces withdraw from Sarajevo's airport just before the June 29 UN deadline.

AFGHANISTAN

June 5—The *New York Times* reports that 100 people have died in street battles in Kabul this week between the Iranian-backed Hezb-i-Wahadat coalition, representing Afghanistan's minority Shiite Muslims, and the Saudi-backed Ittehad-i-Islami, composed mainly of Sunni Muslims; both groups oppose the interim rebel government under acting

President Sibgatullah Mojadedi; loyalist militia have attempted to halt the fighting.

June 28—In a transfer of power agreed to in a pact signed in April by most of the factions, Mojadedi steps down in favor of Islamic scholar Burhanuddin Rabbani, leader of Jamiat-i-Islami.

ALGERIA

June 29—Mohammed Boudiaf, president of the ruling State Supreme Council and titular head of state, is shot while delivering a speech in Annaba, and later dies; the assassin is killed by guards, and 41 people are wounded in an ensuing gunfight between guards and unidentified men in uniform; Boudiaf, a leader in the Algerian war for independence, was installed after the fundamentalist Islamic Salvation Front won a 1st round of parliamentary elections in January.

BANGLADESH

(See also *India*)

June 20—Muslim fundamentalists stage strikes and protests nationwide in support of Golam Azam, the jailed leader of the Jamaat-e-Islami party; 3 people are killed and more than 100 are injured.

CAMBODIA

June 13—In accordance with the 2d phase of a United Nations peace plan signed last fall, guerrillas from 3 of Cambodia's antigovernment factions begin reporting to UN Transitional Authority cantonments throughout the country to prepare for disarmament and demobilization. The Khmer Rouge says its fighters will not enter the camps because not all Vietnamese troops have left the country as required by the plan; Hanoi says it withdrew its troops in 1989.

June 22—At a conference in Tokyo called by Japan, 33 countries and several international organizations pledge \$880 million for Cambodian reconstruction.

CHILE

June 29—Results from yesterday's municipal elections, the country's 1st such elections since 1971, show that centrists backed by President Patricio Aylwin received 53% of the vote, while right-wing parties won 30%; 90% of the country's 7.8 million eligible voters elected 2,082 mayors and council members in 334 towns.

CHINA

(See also *US*)

June 17—China last month signed an oil exploration contract with the Denver-based Crestone Energy Corporation covering a 9,700-square-mile area in the South China Sea, *The New York Times* reports; Crestone says China agreed to provide naval backing for its operations in the area, which is also claimed by Vietnam.

June 21—Former president Li Xiannian dies at the age of 82.

COLOMBIA

June 1—The Foreign Ministry says the government has granted former Peruvian President Alan García political asylum; García and other members of his American Popular Revolutionary Alliance party are under investigation in Peru on weapons violations charges.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See also *Intl*, *IMF*; *Georgia*; *US*)

June 1—In Rome, talks open among Armenia, Azerbaijan, and other parties involved in the fighting over Azerbaijan's Armenian-populated Nagorno-Karabakh autonomous region; about 2,000 people have died in the 4-year conflict.

June 6—Moscow's mayor, Gavril Popov, resigns, saying he will devote himself to his role as chairman of the Movement for Democratic Reform.

June 8—Abulfaz Elchibey, leader of the nationalist Popular Front, claims the presidency of Azerbaijan after elections yesterday, saying he captured about 60% of the vote; Elchibey has pledged to lead Azerbaijan out of the CIS and to retain Nagorno-Karabakh.

June 9—Prime Minister Valeriu Muravsky and most of the members of Moldova's cabinet submit their resignations to protest the government's failure to end the conflict in the Trans-Dniester region between ethnic Romanians and separatist Slavs of Ukrainian and Russian descent.

June 12—The Russian parliament votes to declare a state of emergency in North Ossetia, which Ossetian nationalists want reunited with Georgia's South Ossetia; troops are flown to the region.

June 15—Azerbaijani government units complete their recapture of the Shaumyan region north of Nagorno-Karabakh from Armenian troops who have recently taken control of most of the autonomous region; fighting is also reported in the regional center of Mardakert; Armenian officials say 36 people were killed.

June 21—The Itar-Tass news agency quotes Moldovan President Mircea Snegur as saying Russia has imperialist ambitions in the Trans-Dniester; troops and tanks of Russia's 14th Army, stationed in Moldova, have reportedly assisted Slavic forces in the region.

June 23—In the Black Sea resort of Dagomys, Yeltsin and Ukrainian President Leonid Kravchuk initial an 18-point agreement in which they pledge to divide up the ships of the contested Black Sea Fleet but jointly maintain the bases; to work to resolve ethnic conflicts; to coordinate economic policy; and to conduct trade based on market prices. The status of Ukraine's Crimean Peninsula, which Russia claims, is not discussed.

In Trans-Dniester, a cease-fire between Moldovan troops and Slav separatists breaks down after a few hours as the Moldovans renew their attacks on the city of Bendery.

June 24—After a coup attempt against him earlier in the day, Georgia's leader, Eduard Shevardnadze, attends a scheduled meeting in Sochi, Russia, with Yeltsin and the leaders of North and South Ossetia; Yeltsin and Shevardnadze later announce the signing of an agreement for an Ossetian cease-fire monitored by a peacekeeping force along the South Ossetian border.

June 30—The 2d stage of economic reforms in Russia will begin tomorrow; measures include a unified floating exchange rate for the ruble, new regulations for imports and exports and bankruptcies, and a privatization plan.

Moldova's parliament accepts the resignations of Muravsky and 22 cabinet ministers.

CZECHOSLOVAKIA

June 7—Results from nationwide voting that ended yesterday show a split between Czechs and Slovaks and give no party a majority in the national or the 2 republic parliaments. In the Czech republic, the Civic Democratic party led by Vaclav Klaus, and its right-wing coalition, which favor a strong federal government and rapid Western-style economic reforms, won 33% of the vote for the national parliament and about 30% of the vote for the Czech parliament. In Slovakia, the Movement for a Democratic Slovakia, headed by Vladimir

Meciar, who supports a "sovereign state" of Slovakia within a loose federation and slow economic reform, captured 33% of the vote for the national parliament and 37% of that for the republic parliament. Leftist and former Communist candidates garnered about 14% of the vote nationally.

June 20—In Bratislava, Klaus and Meciar announce an agreement on a "transitional" federal government with 5 ministries instead of the present 13; other functions will be handled by the 2 republic governments. The leaders ask the Czech and Slovak parliaments to present proposals on future political arrangements by Sept. 30.

June 24—Meciar is appointed prime minister of Slovakia and forms the republic's cabinet, 12 of whose 14 members are from his Movement for a Democratic Slovakia.

DENMARK

(See Intl, EC)

ESTONIA

June 29—Voters overwhelmingly approve a new constitution that establishes a parliamentary system and a strong presidency; Estonia is the 1st former Soviet republic to adopt a constitution.

ETHIOPIA

June 23—Citing irregularities in regional elections held June 21, representatives of the Oromo Liberation Front, the 2d-largest party after the Ethiopian People's Revolutionary Democratic Front, say they are withdrawing from the government.

FRANCE

(See also Intl, Yugoslav Crisis)

June 23—Thousands of farmers block 15 roads into Paris in a protest against the European Community's decision last month to reduce agricultural subsidies.

GEORGIA

(See also CIS)

June 11—The Itar-Tass news agency reports renewed fighting in the South Ossetia region between government troops and ethnic Russian secessionists seeking unification with North Ossetia; the regional capital, Tskhinvali, comes under intense shelling; 21 people are reported killed.

June 21—Georgia's leader, Eduard Shevardnadze, asks for international observers and UN mediation in South Ossetia. Last week Shevardnadze said Russian troops openly supported secessionists with helicopter fire.

June 24—In the capital of Tbilisi, an attempted coup by more than 100 armed supporters of former President Zviad Gamsakhurdia fails; Gamsakhurdia was deposed by a pro-democracy coalition in January. Four people are killed and 29 injured in fighting between national guardsmen and rebels; 29 guardsmen are arrested for joining the rebels.

GERMANY

(See also Intl, International Terrorism)

June 4—Germany's chief federal prosecutor announces the arrest of 12 people, most of them western Germans, who are thought to have participated in a ring recruited by the East German state security police; the group is believed to have murdered about 500 defectors and critics of East Germany's Communist government in West Germany.

HAITI

(See also US)

June 2—State radio reports that former World Bank official Marc Bazin has been named prime minister by interim President Joseph Nerette under a plan for a government of national unity that is backed by the military and many political leaders.

June 19—Bazin is sworn in as prime minister.

INDIA

June 4—In Madhya Pradesh state, 17 police officers are killed and 2 seriously wounded by a land mine that police say was planted by Maoist groups from Andhra Pradesh state.

June 26—Thousands of nationalists attempt to disrupt a ceremony at which control of the Tin Bigha land corridor is transferred to Bangladesh; the short corridor links a Bangladeshi enclave to the rest of the country.

INDONESIA

June 9—Preliminary results from today's parliamentary elections show that 68% of the vote went to President Suharto's ruling Golkar party; the Muslim United Development Party came in 2d with 17% of the vote, and the Indonesian Democratic Party received about 15%.

IRAN

June 11—In Shiraz, 4 people are executed for "sabotage" during riots by squatters in April; yesterday in Meshhed, 4 people convicted of arson in a May 30 squatters riot in that city were executed.

ISRAEL

(See also *Lebanon, US*)

June 25—In the Israeli-occupied Gaza Strip and West Bank, 3 Palestinians and 3 Israelis, including 1 undercover Israeli soldier, are killed in clashes.

June 26—Final results from parliamentary elections held June 23 show the Labor party under Yitzhak Rabin defeated the rightist Likud party, which has governed for 15 years; Labor won 44 seats to Likud's 32, but will have to form a coalition to achieve a parliamentary majority of 61 seats. Rabin, a former military commander and defense minister, was prime minister from 1974 to 1977.

June 29—Police detain and interrogate 17 Palestinian delegates to the Middle East peace talks on their reentry into the West Bank from Jordan; authorities say their public meeting on June 17 in Amman with Palestine Liberation Organization chairman Yasir Arafat violated a 1986 law that prohibits contact with groups judged to be involved in terrorism.

ITALY

June 27—In Palermo, approximately 40,000 people protest government corruption and recent violence by the Mafia.

June 28—Giuliano Amato, whom President Oscar Luigi Scalfaro nominated as prime minister June 18, forms a coalition government; Amato, the former deputy head of the Socialist party, allocates most of the 25 ministries to Socialists and members of the Christian Democratic party.

JAPAN

(See also *Cambodia*)

June 15—After 2 years of debate, the lower house of parliament votes, 329 to 17, to approve a bill that will for the 1st time since World War II allow troop deployments abroad; the bill will create a 2,000-member unit that may perform

limited logistical and relief tasks in international peacekeeping operations, and may monitor cease-fire agreements after specific authorization from parliament; troops must withdraw if hostilities resume.

KENYA

June 9—President Daniel arap Moi requests international food aid for drought victims and the nearly 300,000 Ethiopian, Somali, and Sudanese refugees in the country.

LEBANON

June 12—In what Israel terms a retaliatory strike, Israeli troops attack Muslim guerrillas in Israel's self-proclaimed security zone in the south, killing 2.

MEXICO

(See also *US*)

June 17—Mexican officials say they will not suspend activities of US Drug Enforcement Agency personnel in Mexico or recall Mexican agents in the US after receiving assurances from "the highest levels" of the Bush administration that the US will respect Mexico's sovereignty and the bilateral 1978 extradition treaty; members of President Carlos Salinas de Gortari's administration had threatened to pursue such measures unless the US pledged to refrain from abducting Mexican citizens for crimes committed in the US.

MYANMAR

June 5—Kachin Independence Army rebels overrun government outposts at Namyung and Pangsau near the border with India, capturing 60 soldiers and forcing 14 to surrender to Indian authorities.

NICARAGUA

(See *US*)

PAKISTAN

June 5—Troops kill 9 peasants while raiding the village of Tando Bahawal in Sindh province; the army has recently stepped up operations in the region in an attempt to restore stability.

PANAMA

June 10—A US soldier is killed and another wounded when their military vehicle is attacked by gunmen; violent demonstrations are staged in Panama City to protest US President George Bush's planned visit.

June 11—Protests erupt near a platform where Bush is delivering an address praising President Guillermo Endara and recalling the 1989 US invasion of Panama; Bush and his wife are rushed from the scene by US Secret Service agents after tear gas and shots are fired to disperse the crowd.

PERU

(See also *Colombia*)

June 5—Shining Path guerrillas kill 5 people and wound 20 when they detonate a truck bomb outside a Lima television station.

June 18—President Alberto Fujimori postpones the election for a constituent assembly until November 22; last month he told the Organization of American States the election would be held October 18.

June 19—Fujimori announces regional and local elections will be postponed until March 1993.

PHILIPPINES

June 22—A joint session of Congress declares General Fidel Ramos the winner of last month's 7-candidate presidential election, with 23.5% of the vote; Ramos, who led a military rebellion in the ouster of President Ferdinand Marcos in 1986, will be inaugurated June 30.

POLAND

June 5—Voting 273 to 119 with 33 abstentions, members of parliament pass a vote of no confidence on Prime Minister Jan Olszewski's center-right minority government after the Interior Ministry releases what it says is a secret police list of Communist collaborators; Walesa called for Olszewski's dismissal last week, saying he fomented political conflict. Hours later, parliament votes, 261 to 149, to name Waldemar Pawlak, leader of the Polish Peasants party, prime minister.

June 19—Poland's constitutional court declares the distribution of the collaborators' list illegal.

SOMALIA

(See Yemen)

SOUTH AFRICA

June 15—Gunmen kill 14 blacks in attacks outside Johannesburg.

June 16—African National Congress president Nelson Mandela inaugurates a 1-day strike signaling the beginning of a mass protest against the stalemated Convention on a Democratic South Africa (CODESA), talks that began last December on a new political system; CODESA bogged down last month over the issue of white veto power in a transitional government. Police report that 19 people were killed today in clashes in black townships.

June 17—In the black township of Boipatong and the adjoining Slovo Park squatter camp, at least 40 residents are killed and dozens wounded by about 200 men armed mainly with axes and spears; witnesses say the attackers were Zulu-speaking blacks aided by white police officers, and that many lived at a hostel for migrant workers owned by Iscor, the former state metals and mining corporation.

June 18—The conservative Zulu-based Inkatha Freedom party, the ANC's major political rival, denies involvement in yesterday's massacre, as do the South African police.

June 19—In the city of Vereeniging, a federal judge drops charges against 7 alleged Inkatha members in the murders of 38 people at an ANC funeral vigil in Sebokeng last year; a court official cites gross police incompetence in presenting the case as the reason for the dismissal.

June 23—The ANC withdraws from CODESA because of what it calls the government's systematic use of violence to subvert democracy; it demands that the government disband special police units charged with repression and close workers hostels that have become Inkatha strongholds.

June 24—President F. W. De Klerk says he would accept an international investigation of Boipatong, one of the ANC's conditions for returning to CODESA.

SRI LANKA

June 29—Military officials report the recapture of northern areas from Tamil guerrillas; they say 100 rebels and 14 government soldiers were killed in the offensive.

THAILAND

June 10—Anand Panyarachun is appointed interim prime minister by King Bhumibol Adulyadej.

June 30—Panyarachun dissolves parliament; yesterday he announced that elections will be held September 13.

TRINIDAD AND TOBAGO

June 30—The Trinidad High Court rules that Yasin Abu Bakr and 113 other members of the Jamaat al Muslimeen who attempted to overthrow the government in 1990 should not have been arrested and brought to trial since then-acting President Emmanuel Carter pardoned them; the members of the black Muslim group are awarded \$12 million in compensation as well as their legal fees.

UNITED KINGDOM (UK)

Northern Ireland

June 30—In London, leaders of the 2 unionist parties that represent most of Northern Ireland's Protestant majority, the Social Democratic and the Labor parties, which most Northern Irish Catholics also support, meet with officials from Britain and the Irish Republic to discuss the establishment of a regional government that would replace direct rule by Britain; Sinn Fein, the political arm of the Irish Republican Army, is excluded because of its refusal to renounce the use of violence.

UNITED STATES (US)

(See also Intl, UN, Yugoslav Crisis; Mexico; Panama; Vietnam)

June 1—President George Bush announces the US will increase aid for forestry programs in other countries to \$270 million annually, a jump of \$150 million; he adds that he is issuing a challenge to other nations to double worldwide spending on forest protection to \$2.7 billion a year. The announcement comes 2 days before the beginning of the "Earth Summit."

The Defense Department suspends the aircraft engine division of the General Electric Company from receiving new government contracts because the company used US military funds targeted for Israel as bribes and kickbacks for Israeli General Rami Dotan; Dotan is currently serving a 13-year jail term in Israel for related offenses; GE employees are currently under a Justice Department criminal investigation stemming from the case; the Defense Department says the indefinite suspension will not be lifted until the company satisfies ethics and security reviews.

Administration officials announce that the House Select Committee on Intelligence has approved \$40 million in secret aid to help overthrow President Saddam Hussein of Iraq; the aid, which has yet to be approved by the Senate Select Committee on Intelligence and by Congress, represents more than double the \$15 million in aid appropriated last year.

June 2—Bush grants China most favored nation trade status for another year; Congress has 60 days to pass a resolution regarding the decision.

June 3—Two Congressional subcommittees suspend \$150 million in aid to Nicaragua because of the continued presence of Sandinista officials in Nicaraguan President Violeta Chamorro's administration.

June 5—The House of Representatives votes, 198 to 168, to approve a \$270-billion defense budget for 1993; the bill includes provisions for a 1-year moratorium on nuclear weapons testing; for the withdrawal of 140,000 of the 350,000 US troops stationed around the world by 1995; and for the construction of 20 B-2 bombers.

June 15—In a 6-3 decision, the Supreme Court overturns a US Court of Appeals ruling ordering the return to his country of a Mexican doctor charged with torturing and killing a Drug Enforcement Agency official in Guadalajara, Mexico, in

1985; the doctor, Humberto Álvarez Machain, was kidnapped in 1990 by Mexican bounty hunters seeking a \$50,000 DEA reward and brought to El Paso, Texas; Mexico has protested the abduction as a violation of its 1978 extradition treaty with the US.

June 16—In Washington, Bush and Russian President Boris Yeltsin reach an accord on eliminating all land-based multiple-warhead Russian strategic missiles; the agreement, which has yet to be formalized as a treaty and ratified by the 2 countries' legislatures, mandates that each nation reduce its arsenal of strategic missiles to between 3,000 and 3,500 by the year 2003; the US has 11,602 strategic missiles and Russia 10,877.

June 17—Russia is granted most favored nation trade status by Bush. The president and Yeltsin sign agreements for several other incentives to spur US-Russian trade.

June 18—The House and Senate pass a \$1.3-billion emergency aid bill for US cities; the monies, which can only be used after a declaration of a federal emergency by the administration, are targeted for the rebuilding of businesses and homes destroyed in the Los Angeles riots in late April and May as well as for those affected by the Chicago flood in early April; the House passes the measure by a vote of 249 to 168, while the Senate approves it by voice vote.

June 23—Members of the Senate Select Committee on POW-MIA Affairs announce that a Russian document recently turned over to the committee reveals 125 servicemen who had been listed as dead or missing during the Korean war were turned over to Soviet interrogators in North Korea; the document also states that some of these troops were placed in Chinese custody and may have been transported to China.

June 25—The Coast Guard returns to Port-au-Prince the last of the more than 27,000 Haitian refugees picked up by the US since last September's coup in Haiti; excepted are 1,570

refugees who remain at the US naval base in Guantánamo Bay, Cuba, while their requests for asylum are reviewed.

June 26—Navy Secretary H. Lawrence Garrett 3d resigns after allegations by 26 women, including 14 naval officers, that they were sexually assaulted at a convention of naval aviators last year that Garrett attended.

June 29—In a 5-4 decision, the Supreme Court upholds the right to an abortion but accepts 4 of the 5 restrictions imposed by a Pennsylvania law on the circumstances under which a woman may obtain an abortion.

URUGUAY

June 3—*The New York Times* reports that as many as 50 former and active-duty military officers have recently set off bombs around the capital of Montevideo, possibly because of unrest within the military.

VIETNAM

(See also China; US)

June 4—Foreign Ministry spokeswoman Ho The Lan announces that all South Vietnamese officials were released from reeducation camps by April 30; approximately 100,000 civilian and military officials were held from 1975, but most were released in the 1980s; release of all such officials was one of the US-mandated prerequisites for lifting its embargo against Vietnam.

YEMEN

June 26—Yemen says it will accept hundreds of Somali refugees fleeing war, drought, and famine whose ship ran aground off its coast June 22; 147 passengers died of hunger and thirst in transit, and others were killed in the shipwreck; earlier in the week, 3,300 refugees arrived in a larger vessel. ■

JULY 1992

INTERNATIONAL

AIDS Crisis

July 24—In Amsterdam, the 8th annual international AIDS conference ends with memorials to the more than 1 million people who have died of the disease; during the weeklong meeting, doctors and researchers disclosed approximately 30 cases worldwide of people who have AIDS-like symptoms but do not test positive for the virus that causes AIDS.

Conference on Security and Cooperation in Europe (CSCE)

July 10—Twenty-nine CSCE nations sign an agreement to cap ground and air forces stationed in 26 of the participating European countries. Russia's ceiling is set at 1,450,000 troops, Ukraine's at 450,000, Germany's at 345,000, and France's at 325,000, while the British may maintain 260,000 troops and the largest number the US may deploy is 250,000.

European Community (EC)

July 2—Luxembourg legislators ratify the Maastricht treaty by a 51-6 vote; they also agree to seek exemption for Luxembourg from a treaty provision that allows EC citizens to run and vote in local elections. Luxembourg is the 2d country to approve the European union treaty, which calls for unified monetary, political, and security policies by 1999.

Group of 7

July 8—A 3-day meeting of the heads of the 7 leading industrial nations ends in Munich; the group's leaders unanimously endorse lending \$1 billion to Russia but say that additional aid will depend on Russia's progress in implementing market reforms.

Ibero-American Meeting

July 23—In Madrid, a 2-day meeting at which leaders from Spain and 16 Latin American nations will discuss the promotion of education, native culture, technology, health, and telecommunications links begins; the presidents of Venezuela, Colombia, Peru, and Portugal do not attend because of conflicts in their countries.

International Monetary Fund (IMF)

(See also US)

July 5—IMF and Russian officials announce they have reached an agreement whereby Russia will qualify for a \$1-billion loan if it reduces government spending.

North Atlantic Treaty Organization (NATO)

(See also Intl, Yugoslav Crisis)

July 2—In Brussels, officials announce that the US has removed all its land-based short-range nuclear missiles, artillery shells, and naval nuclear depth-charges from Europe;

they also say the US has told the alliance it has removed all tactical nuclear weapons from its ships and submarines.

United Nations (UN)

(See also *Intl, Yugoslav Crisis; Cambodia; Iraq; Kenya; Somalia*)

- July 13—In a 15-0 vote, the Security Council approves sending an additional 500 peacekeeping troops to Sarajevo, the capital of Bosnia and Herzegovina, to join the 900 currently stationed there.
- July 16—In Iraq, a UN guard protecting relief workers is shot and killed; earlier this month 2 other UN guards were wounded; the identities of the attackers are unknown.
- July 19—UN envoy Rolf Ekeus leaves Iraq after failing to persuade Iraqi officials to allow a UN inspection team to search the Agriculture Ministry building in Baghdad for documents that may contain information on Iraq's banned ballistic missile program; the team has been stalled outside the ministry building since July 5.
- July 21—Citing the Khmer Rouge's repeated violations of the most recent peace agreement in Cambodia, the Security Council votes to halt all international aid to the guerrilla group.
- July 23—In Geneva, the High Commissioner for Refugees, Sadako Ogata, says Europe is facing its worst refugee crisis since World War II as a result of the conflict in what was Yugoslavia; roughly 2.3 million people have been displaced by the fighting since June 1991, she says, and another 850,000 are under siege in 4 Bosnian cities and towns.
- July 26—Iraq agrees to allow a UN inspection team into the Agriculture Ministry building; the 6-member group includes only people from countries that did not participate in the Persian Gulf war.
- July 27—The Security Council approves an emergency airlift of relief supplies for Somalia, where approximately 1.5 million of the 4.5 million to 6 million inhabitants are in danger of imminent starvation.

Western European Union (WEU)

(See *Intl, Yugoslav Crisis*)

Yugoslav Crisis

(See also *Intl, UN; US*)

- July 2—Croat nationalists living in Bosnia and Herzegovina declare an independent state that includes almost one-third of the territory of Bosnia; Mate Boban, head of the 30,000-strong Croatian Defense Council militia, says the name of the new republic is Herzeg-Bosnia.
Milan Panic, an American businessman chosen by Yugoslav President Dobrica Cosic as the new prime minister, leaves the US after receiving permission from the Bush administration to travel to the country; US law prohibits Americans from aiding the rump Yugoslav federation of Serbia and Montenegro.
- July 3—Members of the Macedonian parliament release a declaration stating they cannot accept a name for their republic that does not include "Macedonia"; the 12 EC foreign ministers agreed last week in Lisbon to recognize the republic "under a name which does not include Macedonia."
- July 4—Serbs continue to shell Sarajevo, the capital of Bosnia and Herzegovina, as the UN-sponsored airlift and food distribution continues.
The Bosnian government says that 7,561 people have died and 27,412 have been wounded in fighting that began after the republic voted for independence February 29.
- July 9—In Helsinki, US President George Bush tells Bosnian President Alija Izetbegovic the US will take measures to ensure UN relief supplies are allowed to be distributed in Sara-

jevo, but refuses Izetbegovic's request for US air strikes against Serb positions surrounding the capital.

- July 10—Members of the Western European Union and NATO agree to strengthen economic sanctions against Serbia and Montenegro and to begin naval surveillance in the Adriatic Sea using the US 6th Fleet and 5 European ships; the WEU's 9 members also say they will begin drawing up military plans to create an overland corridor that will allow relief convoys to enter Bosnia.
- July 11—Serb guerrillas and army troops that had been garri-soned in Serbia, backed by heavy armor and artillery, launch a major offensive on the Bosnian town of Gorazde; the predominantly Muslim population of 50,000 has been under siege for more than 3 months.
- July 13—The 100th day of the siege of Sarajevo is marked by the destruction by Serb forces of 4 main power lines running into the city.
The Yugoslav parliament, in a 99-33 vote, approves Panic as prime minister, and he is sworn in; Panic, who is expected to serve a 4-year term, denounces Serbia's policy of "ethnic cleansing" in Bosnia and says he and his cabinet will begin the process of formally recognizing Bosnia and Herzegovina, Croatia, Macedonia, and Slovenia.
- July 15—German Defense Minister Volker R  he and Foreign Minister Klaus Kinkel announce Germany will send a destroyer and 3 reconnaissance planes to the Adriatic Sea to help enforce UN sanctions against Serbia.
- July 16—Bosnian Serb rebel leader Radovan Karadzic announces he has ordered the siege of Gorazde to end and says he will cooperate with the UN if it will help open a land route to the Adriatic Sea to allow the guerrillas access to food and medicine.
- July 17—In London, Serb, Croat, and Bosnian Muslim leaders agree to place their armor and artillery under UN supervision and observe a 14-day cease-fire beginning July 19.
Croatian officials report that 2 French soldiers were killed by a land mine explosion; they are the 1st UN peacekeeping troops to die in the Balkan conflict.
- July 19—Mortar and gunfire continue in Sarajevo after the time set for the start of the cease-fire.
Izetbegovic and Panic meet at the UN headquarters in Sarajevo, where Panic announces that the heavy weapons surrounding Gorazde will be removed to Serbia and that those that ring the capital will be placed under UN control beginning tomorrow.
- July 20—Canadian Major General Lewis MacKenzie, commander of UN forces in Sarajevo, orders the airport closed and suspends relief flights because of continued fighting; the city comes under the heaviest shelling in a month by Serb artillery and mortar fire, which kills at least 15 people and wounds more than 100.
- July 21—MacKenzie orders the airport reopened although shelling continues in Sarajevo and more intense fighting is reported in at least 12 Bosnian towns. At a press conference, MacKenzie says the latest cease-fire has not held because Bosnian and Serb forces are intentionally shelling their own positions in order to provoke artillery fire.
The head of the EC's Yugoslav peace delegation, Lord Carrington, announces in Belgrade that leaders of the Serbian Krajina Republic established in Croatia have dropped their demands for recognition from Croatia and agreed to negotiate the republic's status with Croatian officials under EC auspices.
- July 29—In London, representatives of the Croatian, Muslim, and Serb groups fighting in Bosnia agree to establish a committee with officials from their own parties, the UN, and the International Committee of the Red Cross that will work to

deliver humanitarian aid, promote a cease-fire, and free people held in camps and prisons.

AFGHANISTAN

- July 6—The new prime minister, Abdul Sabur Fareed, arrives in Kabul after 2 days of intense artillery battles between pro-government militias and Hezb-i-Islami rebels kill over 100 people; the fundamentalist rebels also sever power lines to the capital; Fareed, a Hezb-i-Islami representative, joins the administration of interim President Burnahuddin Rabbani under an agreement hammered out by rebels before former President Najibullah's fall in April.
- July 19—Artillery shells and rockets fired by government forces and Iranian-backed Hezb-i-Wahadat coalition forces kill 60 people and wound over 300 in Kabul.
- July 28—Urs Boegli, a representative of the International Committee of the Red Cross, says the frequency of injuries caused by land mines has tripled since April; he adds the situation is much worse than in Cambodia.

ALBANIA

- July 1—Unemployment benefits for state workers end; 20% of the work force is affected. At Durres and Vlora, as many as 6,000 people attempt to commandeer 3 ships in order to leave the country but are stopped by police.

ALGERIA

- July 2—The military ruling council names Ali Kafi to replace assassinated President Mohammed Boudiaf.
- July 8—Sid Ahmed Ghazali resigns as prime minister and is replaced by Belaid Abdesalam, a former industry minister.
- July 15—A military court sentences Abassi Madani and Ali Belhadj, the president and vice president of the Islamic Salvation Front, to 12 years in prison each for plotting to overthrow the government; 5 other members are also sentenced to terms of 4 to 6 years.
- July 18—Dozens of supporters of the Islamic Salvation Front are arrested in clashes with government security forces; at least 3 people have died and 15 people have been hurt since the July 15 sentencing.

BOLIVIA

- July 19—In La Paz, police arrest Johnny Justino Peralta, leader of the leftist native group Zárate Willka, which the government considers sympathetic to the Maoist Shining Path rebels in Peru.

BULGARIA

- July 9—Andrei Lukanov, who served as deputy prime minister under Todor Zhivkov, the general secretary of the Bulgarian Communist party and briefly as prime minister after helping oust Zhivkov in 1989, is arrested and charged with misappropriating as much as \$500 million in state funds.

CAMBODIA

(See also *Intl, UN*)

- July 14—UN peacekeepers say Khmer Rouge guerrillas have taken over 2 villages in the northern part of the country.

CHINA

(See also *Japan*)

- July 21—A "people's court" in Beijing sentences Bao Tong to 7 years in prison for leaking political secrets and spreading counterrevolutionary propaganda during the 1989 democracy movement; Bao was political secretary to the Politburo

Standing Committee and deputy to Communist party leader Zhao Ziyang.

COLOMBIA

- July 22—President César Gaviria announces that Pablo Escobar, a Colombian drug trafficker who surrendered to authorities last year, escaped yesterday during an attempt to move him to a more secure prison; at least 2 people were killed in the escape.
- July 28—Gaviria announces the dismissal of Deputy Justice Minister Eduardo Mendoza for informing Escobar of the planned transfer to another prison.
- July 29—Six US warplanes equipped with night-vision and infrared systems help the government's search for Escobar by conducting flights over Medellín.

COMMONWEALTH OF INDEPENDENT STATES (CIS)

(See also *Intl, CSCE, Group of 7, IMF; Estonia; Georgia; US*)

- July 1—The 2d stage of economic reforms goes into effect in Russia: exchange rates for the ruble are unified and freed from government control, and bankrupt state-owned enterprises will be put up for auction.
- July 2—Foreign Minister Andrei Kozyrev tells *Izvestia* that "the threat of an antidemocratic coup" against Russian President Boris Yeltsin by Communists or others in the military, security services, or state bureaucracy "exists."
- July 4—After a Moscow meeting with Moldovan President Mircea Snegur on the conflict in breakaway Trans-Dniester, Yeltsin says they agreed Moldova's parliament should develop plans for autonomy for the region and for a cease-fire and a buffer zone monitored by "neutral troops."
- July 5—In Nagorno-Karabakh, Azerbaijani troops retake from Armenian forces the regional center of Mardakert and the village of Aterk.
- Armenia announces it is suspending participation in CSCE-sponsored talks on resolving the conflict in Nagorno-Karabakh.
- July 7—Voting 225 to 3, the Moldovan parliament asks the CIS to send a peacekeeping force to Trans-Dniester.
- July 10—Russia and Germany sign a treaty that will establish an autonomous region along the Volga River in southwestern Russia open to all ethnic Germans in the former Soviet Union; a German republic existed in the area from 1924 to 1941.
- July 12—Breaking a cease-fire in Trans-Dniester, Slavic separatists in the city of Bendery attack a police station held by loyalists; a police officer is killed and 17 other people are wounded.
- July 21—The crew of a Black Sea Fleet coast guard frigate mutinies and sails without permission from the Crimean port of Donuzlav to Odessa, declaring its allegiance to Ukraine; CIS vessels and aircraft give chase.

CUBA

- July 12—The National Assembly adopts reforms to the 1976 constitution that will allow the first parliamentary elections in 30 years; the elections, in which only Communist party members may participate, may be held in 1993.

CZECHOSLOVAKIA

- July 3—In 2 ballots in parliament, Slovak deputies block Václav Havel's reelection as president of Czechoslovakia; Havel, who needed wins in the 2 republic chambers and in the combined parliament, was twice approved in the Czech chamber and once approved by the combined parliament.

July 17—An hour after Slovakia's parliament votes overwhelmingly in favor of a "declaration of sovereignty," Havel announces he will resign July 20.

ECUADOR

July 5—Initial returns from today's presidential election show Sixto Durán Bellén, a Boston-born architect and former mayor of Quito, to have won in 19 of the country's 21 provinces; approximately 5 million of the nation's 10 million citizens cast ballots.

EGYPT

July 21—President Hosni Mubarak announces he has accepted visiting Israeli Prime Minister Yitzhak Rabin's invitation to meet in Israel; the talks between the two leaders, held in Cairo, were the first between Egyptian and Israeli leaders in 6 years.

ESTONIA

(See also US)

July 27—Armed citizens take over a Russian naval administration building in Tallinn, but are driven back by Russian troops.

FRANCE

(See also Intl, CSCE; Iraq)

July 5—Farmers protesting planned cuts in EC agricultural subsidies stage a 1-day blockade of rail lines to the south.

July 8—Heavily armed riot police clear blockades set up by truckers protesting changes in penalties for driving violations.

GEORGIA

(See also CIS)

July 9—Backers of ousted President Zviad Gamsakhurdia kidnap Deputy Prime Minister Alexander Kavsadze.

July 14—A Russian-Georgian peacekeeping force of around 800 soldiers begins patrolling a 4-mile-wide buffer zone separating secessionist South Ossetia from the rest of Georgia; troops from South Ossetian and North Ossetian militias and possibly Ukraine are expected to join the unit.

GERMANY

(See also Intl, CSCE, Yugoslav Crisis; CIS)

July 29—Erich Honecker emerges from the Chilean Embassy in Moscow, where he sought asylum in December, and is flown to Berlin to stand trial on manslaughter and corruption charges; Honecker, the East German Communist party chief from 1971 to 1989, was indicted last month for embezzling more than \$9 million in state funds and in the deaths of at least 49 people killed while trying to flee to West Germany.

GREECE

July 14—In Athens, Minister of Finance Ioannis Paleokrassas is slightly injured by a rocket attack on his armored limousine; a bystander is killed. The militant leftist group November 17 claims responsibility, saying the action was in protest against gross inequalities in the tax system and other government policies.

HAITI

(See also US)

July 19—A boat with about 100 Haitians on board capsizes and sinks, killing approximately 90 of those aboard; US representatives in the country say it is the 1st recorded incident of a boat carrying Haitian refugees since mid-June.

INDIA

July 1—A national trucking strike begins, idling 1.5 million trucks; truckers are protesting states' and localities' levying of tolls, tariffs, and other transport charges, and police demands for bribes.

July 3—Police in the northwest city of Ahmedabad quell Muslim-Hindu rioting. Yesterday, fighting between Hindus and Muslims that began during a Hindu religious procession left 9 people dead and dozens wounded.

July 13—At least 9 people are killed and 20 wounded when soldiers fire on civilians in the Kashmir Valley; earlier, separatists ambushed an army convoy outside Srinagar, the capital of Jammu and Kashmir state, killing 1 soldier and wounding 7. On July 10, street battles in Srinagar between police and separatists left 13 people dead.

July 19—Indian troops kill at least 15 armed Muslims as they cross the Kashmir frontier.

In Ayodhya in northern Uttar Pradesh state, Hindus and Muslims clash as Hindus continue their attempts to build a temple to Ram near Babri Masjid mosque.

July 25—Hindu leaders agree to stop construction of the temple at Ayodhya in return for the central government's pledge to allow the Hindu nationalist administration of Uttar Pradesh state to remain in office.

July 29—The chief of the rebel Khalistan Liberation Force, Gujrant Singh Budhsinghwala, is killed in a raid in Ludhiana township in Punjab state; police say Budhsinghwala was responsible for hundreds of killings in the group's quest for a separate Sikh state.

July 30—The *Far East Economic Review* reports that Vice President S. D. Sharma of the ruling Congress party has been elected to the presidency by 64.7% of the vote; his rival, G. G. Swell, won 33.2% of the ballots cast by state legislators and members of parliament.

IRAN

July 30—A Saudi newspaper, *Asharq Al-Awsat*, reports that Iran has chosen to keep 132 Iraqi civilian and military planes that were flown there for protection during the Persian Gulf war.

IRAQ

(See also Intl, UN; Iran)

July 6—Four people are killed and 19 wounded when a car bomb explodes near the convoy of Danielle Mitterrand, wife of French President François Mitterrand and head of France-Libertés, a humanitarian group, as she passes through Halabja, the town where thousands of Kurds were killed by poison gas in 1988; no one takes responsibility for the attack.

July 8—An American intelligence report quoted in *The New York Times* says 4 Iraqi officers plotted to assassinate President Saddam Hussein on June 29, but were discovered and ambushed; according to the report, more than 200 officers have been purged from the military and some have been executed.

ISRAEL

(See also Egypt; Lebanon)

July 9—Prime Minister Yitzhak Rabin forms a coalition that may assure him control over 62 of the Knesset's 120 seats by signing agreements with the left-wing Meretz party (which favors accepting Palestinian self-determination) and the religious Shas party.

July 11—Rabin appoints former Prime Minister Shimon Peres as foreign minister.

July 12—Rabin announces his new cabinet, naming himself as defense minister.

July 23—The Rabin administration freezes plans to construct nearly 6,700 homes in the Israeli-occupied West Bank and Gaza Strip; 8,700 homes that are in various stages of construction will still be built.

ITALY

July 19—In Palermo, Sicily, Paolo Borsellino, the city's chief prosecutor and anti-Mafia investigator, and 5 of his bodyguards are killed by a bomb explosion.

July 25—Defense Minister Salvo Andò announces that 7,000 troops will be deployed in Sicily; the soldiers, who will have power of arrest, will patrol courts, airports, and other "strategic" installations and search for mafiosi and weapons caches.

July 27—Giovanni Lizzio, the top police investigator of protection rackets in Catania, Sicily, is assassinated; no one takes responsibility.

July 29—The month-old coalition government wins a vote of confidence in the lower house of parliament, 318 to 246, on its plan to reduce Italy's \$130 billion budget deficit—the largest in Europe—by \$27 billion. Afterwards, Foreign Minister Vincenzo Scotti and Foreign Trade Minister Claudio Vitalone resign from the cabinet.

JAPAN

July 6—Reversing previous denials by Prime Minister Kiichi Miyazawa and other officials, Japan says the government during World War II organized and ran brothels for soldiers; historians estimate that between 100,000 and 200,000 women from China, Korea, Japan, and other countries were forced to work in the brothels, and that thousands died there.

July 26—Results from today's parliamentary elections show the ruling Liberal Democratic party won 69 of 127 contested seats in the 252-member upper house, which it lost in 1989 after a scandal in the government; voter turnout was about 47%, a postwar low.

KENYA

July 28—Panos Moumtzis, a spokesman for the office of the UN High Commissioner for Refugees, says 287 Somalis who were stranded for a week off the coast were allowed to land yesterday and were taken to the Utange refugee camp near the port of Mombasa; at least 156,000 Somalis have crossed into Kenya in recent months.

KOREA, NORTH

(See Japan)

KOREA, SOUTH

(See Japan)

LATVIA

(See US)

LEBANON

July 23—US Secretary of State James Baker 3d arrives in Zahle in a heavily armored motorcade from Damascus, Syria, to visit President Elias Hrawi; the surprise visit is the 1st to the country by a high-level US official since 1983.

Walid Khaled, an aide to Palestinian guerrilla leader Abu Nidal and spokesman for the Fatah Revolutionary Council, is assassinated by an unidentified gunman in southern Beirut.

Four Israeli warplanes attack 13 positions held by pro-Iranian Party of God Muslim guerrillas in the southern part of the country, wounding at least 4 of the rebels; Lebanese police say the attack was in retaliation for the July 21 ambush of an Israeli patrol near the Israeli security zone in which 1 Israeli soldier was killed.

LITHUANIA

(See US)

LUXEMBOURG

(See Intl, EC)

MEXICO

July 12—Opposition leaders of the Democratic Revolutionary Party in the state of Michoacán say the Institutional Revolutionary Party (PRI) is committing fraud in today's gubernatorial elections there; in Chihuahua state, members of the National Action Party say election fraud is relatively low.

July 13—Initial results from yesterday's gubernatorial elections show Francisco Barrio Terraza, a member of the opposition National Action Party, the winner in Chihuahua; with approximately 50% of the vote tallied, Terraza is shown to have gained 214,350 votes, while PRI candidate Jesús Macías received 180,291; it is only the 2d time since 1929 that a non-PRI politician has won a state election; there is still no clear winner in the state of Michoacán.

July 24—Attorney General Ignacio Morales Lechuga announces his government will no longer accept US aid to fight drug trafficking although it will still work with US Drug Enforcement Agency personnel stationed in Mexico; US drug enforcement aid to Mexico was to total at least \$22 million this year.

MONGOLIA

July 5—Final results of parliamentary elections held June 28 show that the Mongolian People's Revolutionary party, the former Communist party, won 70 of 76 seats in the unicameral legislature.

NIGERIA

July 6—Almost complete results from parliamentary elections held July 4 show the left-centrist Social Democratic party winning 47 of 91 Senate seats and 310 of 589 seats in the House of Representatives, with the more conservative National Republican Convention capturing 37 and 267 seats respectively; the military government of General Ibrahim Babangida says it will relinquish authority to the civilian government in January.

PAKISTAN

(See US)

PANAMA

(See US)

PAPUA NEW GUINEA

July 25—*The Economist* reports that Paias Wingti has narrowly won election as prime minister; Wingti received 55 of the 109 votes cast by parliament, the remaining went to Rabbie Namaliu, the incumbent.

PERU

(See also Bolivia)

July 16—Two car bombs planted by the Maoist Shining Path guerrilla group kill 18 people and wound 140 in the wealthy Miraflores area of Lima; 17 people are reported missing from

the explosion; approximately 6 other bombings occur throughout the capital, wounding at least 4 more people.

July 22—Shining Path guerrillas intensify terrorist attacks in Lima, killing taxi and bus drivers, burning vehicles, blocking streets, and setting off bombs.

July 24—Fujimori says in a televised address that military courts will try suspects believed to be involved in the 2-day "armed strike" conducted by Shining Path supporters that left as many as 40 people dead and hundreds wounded.

July 28—Fujimori announces a new Congress will take office January 2 and mayoral elections will be held February 7.

POLAND

July 10—Hanna Suchocka of the Democratic Union party is named prime minister by parliament.

RWANDA

July 13—In Arusha, Tanzania, the Rwandan government and rebels primarily of the minority Tutsi ethnic group sign a cease-fire agreement; they also agree to continue talks on power-sharing.

SEYCHELLES

July 27—In results announced today for the 1st multiparty elections since 1974, the socialist Seychelles People's Progressive Front wins 58% of the vote, defeating the opposition Democratic party, which received only 33%; smaller parties took the remainder.

SOMALIA

(See also *Intl, UN; Kenya*)

July 5—Four of 50 expected UN military observers arrive in Mogadishu to monitor the March 3 cease-fire between warring clans; 550 UN peacekeeping troops are to arrive to guard convoys of relief aid.

July 19—Mohammed Sahnoun, the UN representative in Somalia, announces the 46 additional UN military observers will be allowed to enter the country later this week.

SOUTH AFRICA

July 6—In a preliminary report on the June 17 massacre of at least 42 blacks in Boipatong township, a government-appointed judicial commission says there is no evidence of complicity by any high government, police, or military official.

SPAIN

(See *Intl, Ibero-American Meeting*)

SRI LANKA

July 5—Tamil Tiger rebels say they shot down a military plane flying over the Jaffna peninsula, killing all 19 people aboard; government officials dispute the claim; army commanders say they have killed about 300 Tigers and lost approximately 30 soldiers since government forces began a June 27 offensive against the guerrillas.

UNITED KINGDOM (UK)

(See also *Intl, CSCE; Yugoslav Crisis*)

Great Britain

July 18—The Labour party's leadership election conference selects John Smith, a Scottish moderate, to replace Neil Kinnock as party leader.

Northern Ireland

July 1—In Belfast, Sir Patrick Mayhew, the secretary of state for Northern Ireland, announces that leaders of the province's 4 major parties have agreed to talks with the Republic of Ireland on the establishment of a regional government that would replace direct rule by Britain; the only significant Northern Irish party to be excluded from the talks is Sinn Fein, because of its refusal to renounce violence.

UNITED STATES (US)

(See also *Intl, CSCE, NATO, Yugoslav Crisis; Colombia; Lebanon; Mexico*)

July 2—The *Far East Economic Review* reports the government has impounded 3 naval reconnaissance aircraft bound for Pakistan, although the Pakistani government has already paid for the planes.

The Senate approves by a 76–20 vote the Freedom Support Act, which authorizes \$981 million in direct humanitarian and economic assistance to the countries of the former Soviet Union and eastern Europe; by a 92–2 roll call vote, the Senate also passes an amendment to the act that links the removal of 120,000 Russian troops from Estonia, Latvia, and Lithuania with further humanitarian aid. The act also allows the US to give \$12 billion to the IMF.

July 6—The Treasury Department bans American trade with all companies or foreign subsidiaries of companies operating in the Yugoslav republics of Serbia and Montenegro.

July 10—In Miami, former Panamanian president Manuel Noriega is sentenced to 40 years in prison for 8 counts of racketeering, money laundering, and drug trafficking; Noriega, who was convicted in April, says he is appealing the conviction on the grounds that he is a prisoner of war.

Citing the airline's lack of security, a jury in a federal district court in New York decides that Pan American World Airways is liable for damages that may equal \$300 million as a result of the 1988 bombing of Flight 103 over Lockerbie, Scotland; representatives of Pan Am say they will appeal the decision.

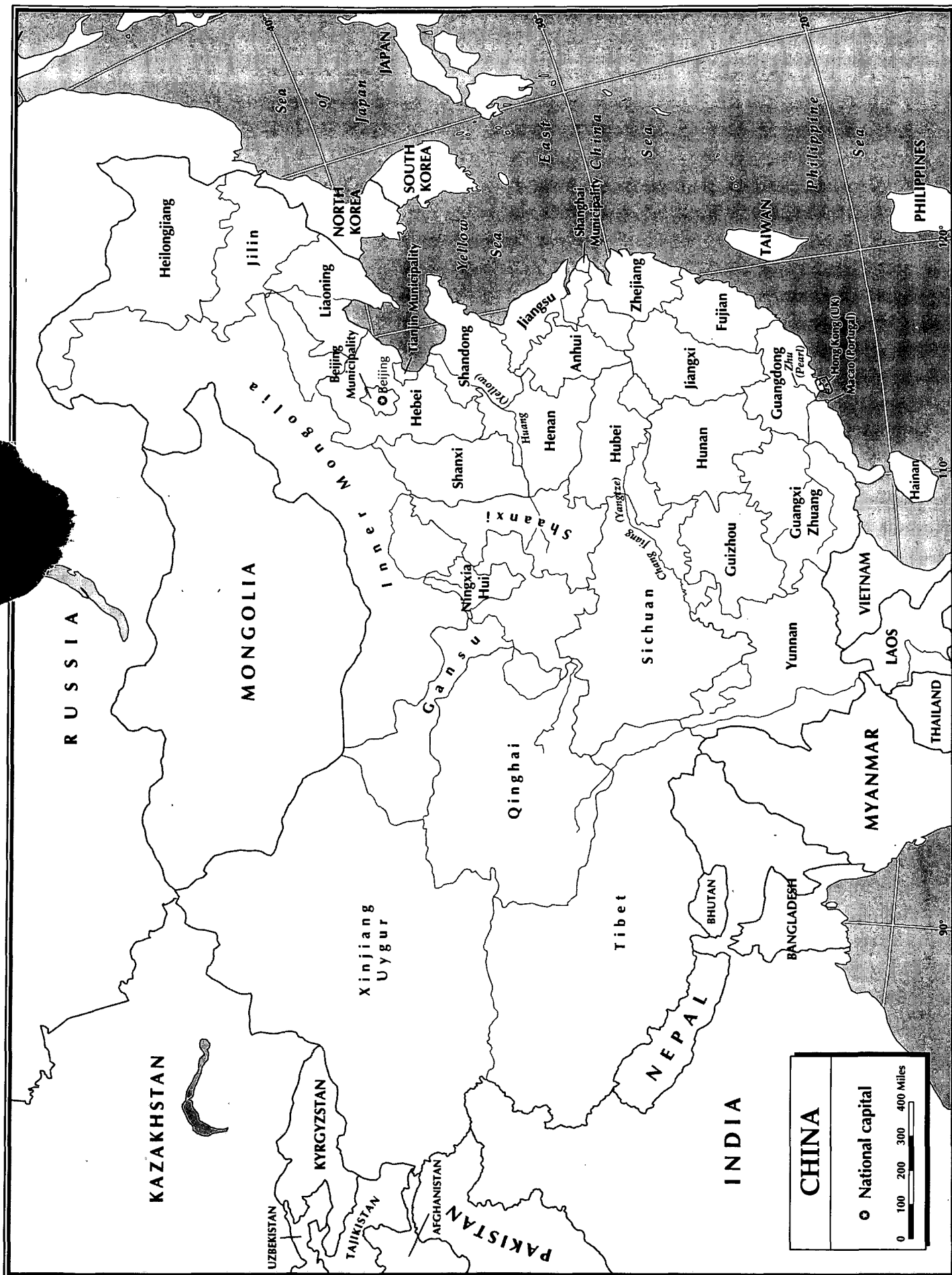
An appeals court in Alaska overrules by a 3–0 decision the criminal conviction of Joseph Hazelwood, the captain of the *Exxon Valdez* oil tanker that spilled 11 million gallons of crude oil in Prince William Sound in March 1989; Hazelwood's conviction for the misdemeanor charge of the negligent discharge of oil in early 1990 was overturned because of a provision in the Clean Water Act of 1972, which grants immunity from prosecution for those who report oil spills.

July 14—In letters to Congressional leaders, the Bush administration announces the US will conduct only 6 nuclear tests per year, 3 of which will not exceed 35 kilotons; also, all nuclear testing will be confined to improving the safety and reliability of existing weapons, not the development of new ones.

July 15—Delegates to the Democratic National Convention in New York select Arkansas Governor Bill Clinton as the Democratic candidate for the November 3 presidential election; US Senator Albert Gore from Tennessee will be his vice presidential running mate.

July 22—A jury awards \$9.22 million to the family of a Pepsico Inc. employee who was killed in the 1988 Pan Am bombing; it is the first such award since the airline was found liable for damages on July 10.

July 29—A federal appeals court in New York overturns by a 2–1 decision Bush's May 24 executive order that Coast Guard officials deter and return boats of Haitian refugees; the court says the order violates US and international laws protecting refugees.



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